

MORTGAGEES' Handbook



FEDERAL HOUSING ADMINISTRATION
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NORMAN P. MASON, *Commissioner*

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MORTGAGEES' HANDBOOK

A SECTION 203 GUIDE FOR FHA APPROVED MORTGAGEES

Housing and Home Finance Agency

U.S. Federal Housing Administration
Washington, D. C.

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FOREWORD

This is a reference book to assist approved mortgagees operating under Section 203 of the National Housing Act covering home mortgage insurance.

Administrative Rules and Regulations under Section 203, describe the minimum requirements of a mortgage for insurance. The eligibility of a specific application, however, can be determined only after complete analysis by the FHA field office with jurisdiction.

Full information regarding insurance under other titles and sections of the National Housing Act may be obtained from the FHA field office and from the listed FHA publications in Appendix IV.

We hope the information in this handbook will be helpful in the preparation of mortgage insurance applications, will expedite processing, and will answer numerous questions of fact and policy normally encountered by mortgagees during the life of an insured mortgage.


Commissioner.

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I. APPLICATIONS

101. Approved mortgagees submit applications for mortgage insurance to the FHA field office having jurisdiction over the area in which the property described in the application is located. An application may be for a conditional commitment or a firm commitment, depending upon the specific circumstances of the transaction. An application may cover a single property or a substantial group of properties in the same general area.

102. A conditional commitment is requested in a case where the mortgagor is unknown and, therefore, cannot be specified in the application. The Commissioner of the Federal Housing Administration agrees in a conditional commitment to insure a mortgage in the amount and under the terms specified, provided a borrower is obtained who is satisfactory to the FHA.

103. A firm commitment is requested when the mortgagee desires an agreement of the Commissioner to insure a mortgage on a specified property, with a specified mortgagor, in an amount and on terms to be stipulated in the commitment. The exhibit at the end of this chapter shows FHA Form 2024, "Request for Approval of Mortgagor (under outstanding commitment prior to insurance)." On the reverse side thereof is a description of optional procedure which may be used to expedite matters when a holding mortgagee desires to substitute a mortgagor under an outstanding firm commitment or to convert a conditional commitment to a firm commitment.

104. Upon completion of the analysis of the mortgagee's application, the FHA field office issues a commitment to the mortgagee if the application has been found to be eligible for insurance. The commitment will specify the amount of the loan to be insured, the terms of the loan, the valuation of the property as determined by the FHA field office, and any condition which must be complied with before the mortgage can be insured.

105. A firm commitment where an operative builder is mortgagor may also indicate in an additional provision the maximum term and amount

which will be insured if an owner-occupant is the mortgagor.

106. In the event an application is found ineligible for mortgage insurance, a written statement setting forth in detail the reasons for ineligibility will be sent to the mortgagee.

107. The application for mortgage insurance on Forms 2004, 2004a and 2004c (for group submission) and Forms 2003-G and 2003-S) contains the mortgagee's application for commitment, the property location and description and the statement of the borrower. Inasmuch as the FHA derives its knowledge of the borrower largely from the statements made in the application, 2004c, it is important that each item in the Mortgage Statement be correctly and adequately completed so that a decision may be reached as to eligibility without further inquiry. The form is largely self-explanatory, although the following items require comment.

(a) Principal amount should be in multiples of \$100, except that loans from \$2,050 to \$10,000 may be in multiples of \$50 if amortized over 20-, 25- or 30-year periods.

(b) The maximum rate of interest, the maximum amortization period, and the maximum mortgage amount shall be as set forth under Section 203.5 of the Administrative Rules.

108. All applications, whether on proposed new existing construction, for firm or conditional commitment or commitment for open-end advance, shall be accompanied by an examination fee. There shall be no fee shall be charged for any processing activity except for extension of commitment. (For fee schedule, see Appendix I.)

109. A refund of the examination fee will be automatically initiated at the end of 60 days, or sooner if requested, if, before processing by the FHA field

office has begun, an application is withdrawn by the mortgagee or an obviously ineligible application is rejected. Some delay in refunding a fee is unavoidable since actual payment is not made by the local field office but by the United States Treasury Department.

110. A signed or certified copy of the contract of sale executed by the seller and buyer is required. If the property is being purchased without a signed contract, conclusive evidence of the amount of the purchase price must be submitted. If proposed construction is involved, and the services of a contractor are not contemplated, the mortgagor's itemized estimate of the cost of construction should be included in lieu of a contractor's bid.

111. The credit report on the borrower may be obtained by the lender and submitted with the application, or the credit report may be ordered for direct delivery to the FHA and the application submitted prior to its receipt. In either case, the action taken by the lender should be indicated in the appropriate space in the application (Forms 2004c or 2003-G).

112. Verification of the borrower's ready assets, including bank balance and securities, which are reported in the Mortgagor's Statement, is required if pertinent to closing the loan transaction or if the mortgagor derives a substantial part of his income therefrom. FHA Form 2004f may be used for this purpose, although any comparable method of verification is satisfactory.

113. FHA Form 2004g provides a medium by which the employment and income of the borrower may be verified, or any other statement by the employer which shows the borrower's income and contains a statement as to his employment prospects will suffice. If the borrower is self-employed, verification of employment is not, of course, required.

114. If the borrower operates his own business or is self-employed, a balance sheet and income statement of his firm or of his own financial position, whichever is appropriate, will be required.

115. Drawings and specifications are required in duplicate with respect to all cases involving proposed construction. They must be accurate and sufficiently complete to set forth and describe the physical improvements and the sizes, grade, and quality of material and workmanship. The requirements for drawings and specifications vary from one part of the country to another and specific requirements should be obtained from the local FHA office. Drawings and specifications should include:

(a) Plot plan indicating:

North arrow; lot boundaries; any adjoining street, alley, and easement; any lines fixed by zoning or restrictive requirements; location and dimensions of all buildings or other construction on the plot, including drives, steps, terraces, porches, any retaining walls, and similar items; distances between buildings, from building to lot lines, and from lot lines to structures on adjoining property, if within 10 feet of lot line.

(b) If individual water supply or sewage disposal system is involved, there shall be included complete details of construction, complete specifications, and a lay-out plan showing the location of all portions of the systems on the property covered by the application. If wells are used, show the approximate location of both such systems on each adjoining lot. List any fixtures not discharged into the sewage disposal systems, giving location and point of discharge. Location of all trees which are to remain or to be planted near any subsurface disposal field should be shown on the plot plan. Approximate depth of cut or fill, if any, at the location of the subsurface disposal field should be indicated. Certain FHA offices require approval of health authorities as to an individual water supply or sewage disposal system before submission of application. The local FHA office should be consulted to determine what requirements apply.

(c) Drawings must include plan of foundations or basement and all floor plans, all elevations, sectional wall details, and heating lay-out. On elevations, vertical distances between floors and between first floor and finished grade level to dwelling should be shown. Where the street is unpaved or the topography is not approximately level, the vertical distance from the grade next to dwelling structure to the established grade of the adjoining street at the lot line should be indicated.

(d) Outline specifications on Form 2005, Description of Materials. Since the estimate of replacement cost is made by FHA field offices on the basis of only those materials specified, the proper completion of this form will prevent costly and time-consuming reprocessing after the issuance of the commitment.

(e) When a group of applications or a group submission application involves repetitions of basic-type dwellings, a master plot plan showing the locations of all plots involved, and the designation of the basic-type dwelling to be built on each site, is required in addition to the exhibits listed above which are required for each basic-type dwelling only.

116. The application for conditional commitment, FHA 2004 and 2004a, consists of the mortgagee's application and the address and description of the property only, as the borrower is not specified.

117. Particular attention is directed to the spaces provided in the Supplement to Mortgagee's Application and Mortgagor's Statement, Form 2004c. If

there is any indebtedness on the property, it should be described; if there is none, this should be stated.

118. APPLICATION CHECK LIST

The documents and exhibits required for each type of Single Application for Mortgage Insurance or Conditional Commitment are listed below. The number which follows each item refers to the corresponding explanatory paragraph in this Handbook. The words "Yes" and "No" indicate whether a particular document or exhibit is required to accompany applications for the several kinds of commitments shown in the columnar headings. (Note: If applications cover properties located in a subdivision involving unimproved or partially improved land or groups of lots warranting special consideration, a presentation in duplicate on FHA Form 2084, "Subdivision Information Form," together with necessary exhibits as required thereon, must be presented before the applications can be processed.) The exhibits required with Group Applications are substantially the same but reference should be made to the itemization thereof on Mortgagee's Application for Mortgage Insurance on a Group Submission, Form 2003-G, or Application for Conditional Commitment on a Group Submission, Form 2201-G.

Forms and exhibits	Para- graph refer- ence	Firm commit- ment		Conditional commitment		Conditional to firm	
		Pro- posed	Exist- ing	Pro- posed	Exist- ing	Pro- posed	Exist- ing
Application FHA 2004-2004a	{ 107 116	Yes....	Yes....	Yes....	Yes....	No....	No.
FHA 2004c	{ 107 117	Yes....	Yes....	No....	No....	Yes....	Yes.
Original or certified copy of purchase contract. or Contract bid or itemized estimate of cost.....	110 110	Yes....	Yes.... No....	No....	No....	Yes.... No....	Yes. No.
Builder's or seller's agreement to furnish FHA appraisal and warranty		Yes....	No....	Yes....	Yes....	No....	No.
Credit report on mortgagor	111	Yes....	Yes....	No....	No....	Yes....	Yes.
Verification of assets 2004f	112	Yes....	Yes....	No....	No....	Yes....	Yes.
Verification of employment 2004g	113	Yes....	Yes....	No....	No....	Yes....	Yes.
Financial statement, if mortgagor self-em- ployed.	114	Yes....	Yes....	No....	No....	Yes....	Yes.
*Drawings and specifications, including plot plan, floor plan, elevations, foundations, heating lay-out, construction details; de- scription of materials—2005.	115	Yes....	No....	Yes....	No....	No....	No.

For fees see Schedule of Fees, Appendix I.

*All forms and exhibits to be submitted in original or single copy, except drawings and specifications which are to be submitted in duplicate.

II. COMMITMENTS

201. Upon a finding of eligibility by the FHA field office, a commitment, FHA Form 2007 (for group submissions, Forms 2007-G and 2007-S), will be issued to the mortgagee as evidence that, subject to terms and conditions specified on the commitment, the mortgage loan will be insured.

202. The commitment stipulates:

- (a) The FHA serial number.
- (b) The particular general provisions applicable, dependent upon whether a conditional or a firm commitment.
- (c) Specific conditions which must be complied with before the mortgage may be insured.
- (d) The expiration date of the commitment.
- (e) The amount of the mortgage loan.
- (f) The amortization period.
- (g) In the case of a conditional commitment, or, a firm commitment (operative builder mortgagor) with additional provision for owner-occupant purchaser, subsequent insurance of the mortgage loan in the amount and term shown is conditioned on approval of mortgagor by the Commissioner.
- (h) The interest rate (firm commitment only).
- (i) The number and amount of monthly payments (firm commitment only).
- (j) The amount of the first annual insurance premium (firm commitment only).
- (k) The FHA valuation of the property.

203. The term of the firm or conditional commitment initially issued by the Federal Housing Administration for existing construction is 4 months; for proposed construction 8 months, subject to cancel-

lation by the Commissioner after 60 days from date of issuance if construction has not started, except in those cases where the mortgagee has disbursed any proceeds of the loan.

204. The firm commitment also provides space for certification to be completed by the mortgagor and mortgagee at the time of endorsement for insurance. Where a firm commitment is made on group submissions, Form 2007-G, the certifications to be completed by the mortgagor and mortgagee at the time of endorsement for insurance are contained on the supplemental Form 2007-C, Mortgagor and Mortgagee Statements.

205. A commitment may be transferred from one approved mortgagee to another, provided written evidence of assignment is placed on or attached to the face of the commitment. The FHA Insuring Office should be notified of such assignment.

206. In instances where the original commitment submitted with closing papers is executed by a borrower on whom underwriting determination of acceptability has been made, but the instruments are drawn in the name of a previous mortgagor, a written statement from the mortgagee to the effect that the mortgage liability has been assumed by the purchaser is acceptable.

207. The mortgagor's and mortgagee's certification on the reverse of the commitment (on Form 2007-C where group submittal) must be executed subsequent to the date on which the credit instrument is executed.

III. COMPLIANCE INSPECTIONS

301. In connection with all cases involving proposed construction, the commitment requires that the mortgagee send written request for inspection to the FHA field office when construction is about to reach each of the following stages:

(a) When excavation is completed and ready for footings and foundations; or, when foundations have been completed but before backfilling; or at another stage stipulated by the FHA field office when better suited to the construction;

(b) When the building is enclosed but the structural members are still exposed, and while roughing-in; i. e., heating, plumbing, and electrical work, is in place and visible; and

(c) When the building construction is completed and the property is ready for occupancy.

302. Sending the request to the field office in advance of the date when an inspection is requested is desirable in order to avoid delay in construction work. FHA Form No. 2289, Mortgagee's Request for Compliance Inspection, is provided for the convenience of mortgagees, but written notification may be made by other means. The necessary approved reports on inspections made are released only after receipt of such written requests from the mortgagee.

303. If compliance inspection of the property reveals that construction was completed or begun prior to the date of approval for mortgage insurance, such property will not be eligible for mortgage insurance under Section 203 (b) or (i) of the National Housing Act. Proposed construction to be eligible under Section 203 for the maximum mortgage amount in addition to the above requirement that (1) it be approved for mortgage insurance prior to the beginning of construction, must also (2) comply with FHA construction requirements, as evidenced by a final Compliance Inspection Report

showing satisfactory compliance. Existing construction (i. e., property completed without meeting the requirements above for proposed construction or property under construction) is eligible only under section 203 (b) and must meet the "Objectives" stated in the FHA Minimum Property Requirements.

304. The FHA inspector completes a Compliance Inspection Report, FHA Form No. 2051, setting forth the results of each inspection. An unapproved copy of his report is left at the site for the contractor's convenience, except when final inspection is involved. This report, which is subject to change, becomes official only after review and approval by the insuring office, indicated by the signatures of the proper staff officials. A copy of the approved report is forwarded to the mortgagee in order that he may transmit the findings to the mortgagor or sponsor.

305. When reinspection is required for any reason, it should be requested in the manner described in paragraph 302.

306. The general provisions of the commitment require the completion of construction as proposed in the application and in compliance with any amendments or additions either appearing on the commitment or noted on the drawings and specifications, as corrected by the FHA field office and returned to the mortgagee. It is therefore important that the mortgagee deliver such drawings and specifications and a copy of the commitment to the mortgagor, builder, or sponsor.

307. The mortgagee should caution the mortgagor that departure from such exhibits is permissible only by written approval of the mortgagee and the FHA. Requests for consideration of such changes must be submitted to FHA by the mortgagee.

308. Care should be exercised by the mortgagee and by the builder to assure that construction work has reached the appropriate stages at the time inspections

are requested; that the FHA serial number stamped on the commitment is conspicuously posted on the site; that the approved drawings and Description of Materials, required by the FHA office to be maintained at the site, are accessible to the inspector; that, if the dwelling is locked, arrangements have been made for the inspector's admittance; and, that the mortgagor or his representative is present if the house is furnished. Delay in the progress of the work will be avoided if the above precautions are observed.

309. The mortgagee should caution the builder that the commitment requires that all construction equal or exceed the applicable FHA requirements and that when corrections are essential reinspection will be required unless the corrected work will be visible for examination at the time of the next regularly scheduled inspection.

310. If, at the time of a requested inspection, it is found that construction has progressed beyond the regularly scheduled stage for such inspection, and, if critical portions of the work have been concealed, the inspector may refuse acceptance unless those portions are uncovered so that he may ascertain whether compliance has been effected.

311. When a compliance inspection report indicates extensive noncompliance involving major variations from the exhibits on which the commitment was based, such as changes in room sizes or arrangement, or in exterior appearance, no further request for inspection will be honored unless the mortgagee advises in writing that compliance has been effected, or requests reconsideration based on acceptance of such variations.

312. When construction is reported to be unacceptable because of extensive noncompliance with FHA requirements, with the approved exhibits, or with good construction practice, no further request for inspection will be honored by FHA until the mortgagee submits written request for reinspection, stating that compliance has been effected.

313. In some instances the inspection report may indicate that building improvements have been acceptably completed subject to receipt of certification that the mortgagee's inspection reveals satisfactory completion of all items listed with reference to statement 12 on the inspection report. This action is confined to minor nontechnical items of insignificant

cost or value, and is used only when there remain no other unfulfilled conditions of the commitment, except those eligible for completion under an escrow agreement, including the acceptable completion of any required individual water supply or sewage disposal system, as evidenced by inspection reports and properly executed Forms 2217 and/or 2218. Such certification must be made in writing by the mortgagee and must state that the subject property has been inspected by an official or employee of the mortgagee's organization and that the items listed on the related report were examined and found to have been satisfactorily completed.

314. When construction has been completed and all specific conditions of the commitment have been acceptably fulfilled, except items listed on the compliance inspection report, completion of which is delayed by conditions beyond control, the FHA may accept the Mortgagee's Assurance of Completion, FHA Form 2300, in lieu of actual completion of the work. Upon receipt of this form, properly executed, together with proper closing papers, the mortgage will be considered insurable. Form 2300 must provide for the withholding of the sum indicated on the Compliance Inspection Report (which will be a minimum of \$100 on each case, or two times the cost of completing the work as estimated by FHA, whichever is the greater) and must provide for completion of construction not later than the date specified by FHA. The local FHA office prepares Form 2300 for the mortgagee's signature. The assurance of completion represents an agreement solely between FHA and the mortgagee and does not relieve the mortgagee of assuring itself by supplemental agreement, or otherwise, that it will be in a position to see that the work is done. The mortgagee will be held responsible for seeing that the work is completed even though the amount of funds specified may prove to be insufficient. Failure on the part of mortgagee to fulfill promptly the conditions of this agreement may compel the insuring office to deny this type of accommodation to the mortgagee in the future.

315. When the delayed work has been completed, the mortgagee makes written request for inspection thereof. If inspection reveals that all of the deferred items have been satisfactorily completed, a Compliance Inspection Report so indicating is transmitted to

the mortgagee. The mortgagee must then disburse the escrowed funds and notify the FHA field office of such action by use of Form 2300a, Notice of Disbursement of Escrowed Funds.

316. Transfer of funds under a mortgagee's assurance of completion is permitted. It is to be understood, however, that the original mortgagee will not be released from its responsibility under Form 2300 unless the transferee assumes the responsibilities of the transferor under Form 2300. This may be accomplished either by the execution of a new Mortgagee's Assurance of Completion or by making a proper endorsement on the existing form to the effect that the transferee, as holder of the mortgage, accepts the escrow agreement and assumes the responsibilities of the transferor in connection therewith.

317. If the commitment, in a case involving existing construction, requires one or more compliance inspections, the same procedure, in principle, is followed as for proposed construction.

IV. ENDORSEMENT FOR INSURANCE

401. The mortgage note will be endorsed for insurance by the FHA, provided the conditions and terms of the commitment for insurance have been met, and upon presentation of the following:

(a) The amount of the insurance premium for the first year, as stipulated in the commitment.

(b) The original outstanding commitment, Form 2007, with certifications on the reverse side properly executed by the mortgagor and mortgagee, as follows: Showing the required information regarding occupancy by the mortgagor; showing the mortgagor's acknowledgment of receipt of the full amount of the mortgage proceeds; dated not prior to the execution date of the mortgage and mortgage note.

Where in connection with a group submission commitment the operative builder is the mortgagor, in lieu of returning the original commitment the necessary certifications are submitted on Form 2007-C, Mortgagor and Mortgagee Statements.

(c) Certified copy of the original mortgage as follows: Drawn on an approved and authorized form and free from any unauthorized variations, the property described in the mortgage being the same property with respect to which valuation determination was made and on which the commitment was issued. It is the responsibility of the mortgagee to obtain a good and valid first lien on the property upon which the FHA places its valuation.

(d) Original and copy of mortgage note as follows:

(1) Drawn on an approved and authorized form and free from any unauthorized variations.

(2) Amortization payments to mortgage loan shall begin on the first day of a month not later than the ninth month from the date of the firm commitment or the date of the conditional commitment, if any, whichever date is earlier, except that the mortgagee is hereby authorized to extend this date to the first day of a subsequent month if the subject property has

not been sold or occupied, but in no event may it be extended beyond the first day of a month not later than one month after the expiration date of the commitment.

(3) Original shall be signed by the borrowers, with the signatures being readily identifiable as the signatures of the borrowers on whom credit determination was made. The names of the borrowers as shown in the spaces for signature on the copy may be typed.

(4) The date of execution shall be clearly indicated.

(5) The date of execution shall be as of, or prior to, the date of the mortgagor's acknowledgment on the reverse of the commitment.

(6) The interest rate, loan amount, monthly payment and term shall be in agreement with the amortization provisions as shown on the commitment.

(e) In cases submitted after more than two monthly payment due dates have been passed, it will be necessary that the mortgagee submit with closing papers a statement that payments on the loan are current.

402. The original mortgage note, with the endorsement for insurance properly executed, will be returned to the mortgagee together with three copies of an amortization schedule covering the payment pattern of a mortgage loan in the amount and for the term of the subject mortgage.

403. It is suggested that a mortgagee, in applying for mortgage insurance for the first time, present its mortgage document to the local FHA office for review and advice before recording in order that any necessary corrections or adjustments may be made. However, it must be borne in mind that many matters of concern to a conveyancer, lender or insurer of titles are of no concern to the FHA as an insurer of mortgages.

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V. AMENDMENTS TO MORTGAGE TRANSACTION PRIOR TO INSURANCE

501. Occasions may arise, after a commitment has been issued to the mortgagee, wherein some amendment to the transaction is desirable. Requests for amendment must always be submitted in writing by the mortgagee to the FHA field office from which the commitment was issued. The types of amendment most frequently requested are discussed below. Documents necessary to each request are described, and any required fee is specified.

502. A letter requesting a change of term must be accompanied by the original commitment. No fee is required and the original commitment will be amended if the change is approved.

503. A request for a substitution of the borrower, which may be made at any time before the endorsement for insurance, requires submission of FHA Form 2004c, Personal Financial Statement. No fee is required with a request that a substitute borrower be approved. Form 2024, Request for Approval of Mortgagor, may be submitted in place of returning the outstanding commitment, together with FHA Form 2004c.

504. A request to reconsider an application rejected because of the borrower should be accompanied by any additional information pertinent to credit analysis. No additional fee is required in connection with a review within 2 months of a previously rejected application if the original examination fee has not been refunded by the field office.

505. A modification of lot is considered as a change in the boundaries of the lot described in the original application. The letter requesting approval must contain a complete revised legal description of the property. Approval of the request, if eligible, will be by letter; but if a change in the amount is involved, the original commitment must be returned for amendment. No fee is required for such a request.

506. A change of location of substantially the same dwelling by the same mortgagor upon a piece of land other than that described in the original application will be approved only where construction under the original application has not commenced. A change of location may be requested by letter, although it is preferable that a new property description, Form 2004a, be submitted; in any event the original commitment must be returned. A change of location involving the same mortgagor and an operative builder and substantially the same dwelling requires no fee, but if a new mortgagor or a different dwelling is involved the request will be treated as a new application and a full examination fee will be collected.

507. A request for a major change in the approved drawings or specifications or both should be accompanied by exhibits to show clearly the changes which are proposed. If the proposed changes involve no increase in amount, the mortgagee will be advised by letter as to the action taken; otherwise the original commitment must be returned for amendment.

508. An increase in amount of an application in process may be requested by letter stating the reason for the request, or by the submission of a new application, Form 2004. No fee is required for such a request.

509. If the request for increase in amount is made after the commitment has been issued, the request may be submitted by letter or by a new application, Form 2004, and must be accompanied by the original outstanding commitment. If approved, the commitment will be amended as of the date of approval and no fee will be required.

510. Commitments covering properties to be constructed will be issued for a term of 8 months and commitments covering existing properties or properties under construction will be issued for a term of

501-510

4 months. Commitments outstanding at any time may be extended beyond the maximum terms stated, upon request by the mortgagee, but such extensions will require the payment of an extension fee of \$20 which should be submitted with the mortgagee's request. The mortgagee may be notified by letter

as to the extension of time, or, if the original commitment has been returned, the extension of time may be noted on its face. If the commitment has expired it may not be extended by amendment and may only be reopened as a new application upon payment of the full examination fee.

VI. AMENDMENTS AFTER THE MORTGAGE HAS BEEN INSURED

601. The holding mortgagee may desire, with the consent of the mortgagor, to change the existing credit instruments. The following types of modification which require the approval of the FHA may be accomplished by amending the original credit instruments.

602. The submission of FHA Form 2210, Consent to Substitution of Mortgagor, is required whenever the mortgagee desires to release the present mortgagor from liability under the insured mortgage and wishes acceptance by the FHA of a new mortgagor under the Contract of Insurance. Form 2210 must be submitted in triplicate, and must be accompanied by the mortgagor's statement on Form 2004 and by a signed or certified copy of the purchase agreement. The portion of Form 2004 pertaining to the mortgagee's application does not apply to this type of request and need not be signed by the mortgagee. If title has been conveyed to the purchaser, the required down payment has been made, and the mortgage obligation has been assumed by the purchaser, sections (C) and (D) on the reverse side of Form 2210 should be completed. In this event, consent of the FHA to the release of the first mortgagor will be evidenced by the completion of section (E) and the original of the form, properly executed, will be returned to the mortgagee. If title has not been conveyed to the purchaser, the required down payment has not been made, or the mortgage obligation has not been assumed, preliminary approval to the substitution will be given by the execution of section (B) of Form 2210 by the FHA. If within 90 days the transaction is completed and Form 2210 is returned with sections (C) and (D) properly executed, the final consent of the FHA will be given by the completion of section (E).

603. Section (A) of Form 2210, which indicates whether the property already has been or is to be transferred, must be completed. This information

determines whether preliminary approval (sec. C) or final consent (sec. E) to the transaction will be executed by the field office. Section (C) is to be filled in at the appropriate time and executed by the new mortgagor in duplicate, in accordance with the actual facts. Space is provided for the insertion of the actual amount paid toward the purchase price and for indication as to whether the new mortgagor occupies the property at the time of execution.

604. An extension of time beyond 90 days may be requested by the mortgagee and will be approved if the circumstances appear to warrant continuation of preliminary approval.

605. If the term of an insured mortgage is to be extended by execution of a new mortgage note to be presented for insurance endorsement, the case should be handled by filing a new application with full examination fee for processing as a superseding transaction. However, the term of an insured mortgage may be extended by modification of the credit instrument, provided that the total term (measured from the date of endorsement for insurance) does not exceed the statutory limitation specified in the rules and regulations under which the mortgage was originally insured, and provided further, that the new term is all or part of some standard FHA amortization plan. An extension of term by modification may be requested by letter without preliminary approval and if approved the mortgagee will be advised by a letter which will specify the effective date, the date of the first payment on the new basis, the amount to which the payments must be adjusted as of the effective date, the amount of the new monthly payment, the interest rate for the remaining period, and the new maturity date. The latter letter must further require evidence of the final action taken by the mortgagee. A new amortization schedule must be provided the mortgagee.

606. Modifications involving a decrease in the term of the insured mortgage under which the borrower obligates himself to assume a higher monthly payment require FHA approval. A request for approval in such instances should be made by letter, without fee, and the mortgagee will be advised by a letter which will specify the effective date, the date of the first payment on the new basis, the amount to which the payments must be adjusted on the effective date, the amount of the new monthly payment, the interest rate for the remaining period, and the new maturity date. A new amortization schedule will be provided the mortgagee.

607. A request that the FHA approve the release of a part of the security from the mortgage must be submitted by the mortgagee in duplicate and must contain the following information:

(a) A statement as to whether or not the mortgage is in good standing.

(b) The amount of the outstanding principal balance.

(c) The date the last monthly payment was made by the mortgagor, and, if there is a delinquency, the number of delinquent monthly payments.

(d) A complete legal description of the property to be released.

(e) The mortgagor's reasons for requesting the mortgagee to make the release.

(f) A statement as to the contemplated use of the land to be released.

(g) The consideration, if any, to be received by the mortgagor.

(h) The amount of required prepayment that the mortgagee will require.

(i) Any restrictions to be imposed upon the land involved in the release.

(j) A survey or sketch of the property showing the dimensions of the portion to be released, the location of present improvements, the relation

to surrounding properties, and any proposed improvements.

(k) Drawings, specifications, and an estimate of the cost of any alterations proposed for the property after release. The mortgagee will be notified in writing, upon a favorable finding, that the Commissioner approves the release. The completion of the release is the responsibility of the mortgagee. Notification must be submitted by the mortgagee at the appropriate time to the effect that the release has been effected, that any conditions of the release have been complied with, and that the outstanding principal amount has been reduced, if previously stipulated.

608. The following actions require the substitution of new credit instruments, which must be submitted to the FHA for endorsement:

(a) Any request for increase in amount after the mortgage has been insured (except open-end advances as provided for under Section 225 of the Housing Act of 1954—See VII-731 and 732) will be regarded as a new submission and will require a new application for firm commitment accompanied by the examination fee.

(b) The refinancing of an existing insured mortgage requires the execution of new instruments and the submission of a new application for firm commitment, accompanied by the examination fee. If the application is submitted by a mortgagee other than the holder of an insured mortgage, the refinancing certificate in the application form must be signed by the mortgagor.

(c) If an extension of maturity is requested beyond the legal maximum of the original note it is necessary that a new contract of insurance be substituted. Such a request must be accompanied by the examination fee.

609. Prior approval by the FHA is not required for modification of existing instruments to cover a reduction in the interest rate or the elimination of a service charge.

II HANDLING OF INSURED MORTGAGES

tion and Sections VIII through XI are assist mortgagees and servicing agents of insured mortgages and to avoid correspondence and delay. Included in discussion are important matters recalculation, collection, and payment of insurance premiums; partial prepayments on mortgages; reporting substitutions of transfers of insured mortgages; pre-closing prior to maturity; and the pre-closing fiscal forms in connection with filing returns.

One step involved in handling an FHA mortgage, after it has been closed, is to set up accounts required under FHA regulations. Setting these up will eliminate many errors. Since the set-up for all these escrow accounts—mortgage insurance premium, hazard insurance taxes—is practically the same, except for due dates and amounts involved, only one set of the mortgage insurance pre-closing will be discussed here.

Escrow fund for mortgage insurance premium is established, as are the mortgagor's escrows for hazard insurance, at the time of closing. The lender provides in its settlement statement the amount of the initial mortgage insurance premium and one-twelfth of the second annual

premium. To illustrate how the premium escrow is established, how the various entries are made to the escrow account, and including any adjustment for the second annual premium is paid on a typical mortgage for \$4,000 at 4½% interest for 20 years will be used. The first amortization schedule furnished by the lender for a mortgage is shown as Exhibit 1 at the end of this section.

705. Exhibit 2 shows the calculations, based on the first amortization schedule, and a condensed version of the entries to be made to the premium escrow account when the mortgage is endorsed for insurance before the amortization date, in the table captioned "Method I"; the calculations when the mortgage is endorsed in the second half of the amortization year are shown under Method II. The amortization date, it should be remembered, is a day 30 days prior to the date of the first monthly payment to principal and interest.

706. For purposes of illustration it has been assumed that in both cases shown the date of closing was April 15, 1954, the amortization date June 1, 1954, and the date of first payment July 1, 1954.

707. In the case shown in Method I, it is assumed that the mortgage was endorsed for insurance on May 15, 1954, 17 days before the amortization date. In the case shown under Method II, the date of endorsement was assumed to be December 12, 1954, 194 days after the amortization date.

708. The accuracy with which the mortgagee has established the premium escrow account can, in every case, be checked at the time the mortgagee receives the premium notice from the FHA for the second annual premium, the amount of which may, under certain conditions, be stated on an adjusted basis.

709. The necessity for an adjusted second annual premium arises in one of the following three instances: (1) where endorsement for insurance occurs prior to the beginning of amortization; (2) when endorsement occurs during the second half of the first or second amortization years; and (3) where payments are remitted in excess of the amount required for the initial premium.

710. Since the date on which the mortgage will be endorsed for insurance (and on which the premium obligation begins) cannot be determined in advance, FHA regulations require the mortgagee, when for-

the mortgage documents for endorsement, an initial premium equivalent to $\frac{1}{2}$ percent of the average principal balances for the period following the amortization date.

If the date on which the mortgage was endorsed was prior to the amortization date, the initial premium transmitted by the mortgagee will not have the period from the date of endorsement to the amortization date. The unpaid premium for this period is included in the FHA premium notice when the regular second annual premium becomes payable on the anniversary of the amortization date. The unpaid premium is lumped with the regular second annual premium in the billing; hence the terminology "adjusted second annual premium."

In order to be in funds when the "adjusted second annual premium" becomes payable in such a case, the mortgagee should check the mortgage documents as soon as the FHA returns them, to determine if the date of endorsement for insurance precedes the amortization date. If it does, the mortgagee should immediately collect from the mortgagor an amount equivalent to $\frac{1}{2}$ percent per annum of the mortgage principal for the period from the date of endorsement to the amortization date. If the period is less than a full month, the amount involved should be collected in one installment. If the period runs for more than one month, the amount may be collected in two or more installments.

It will be observed that in the case illustrated in Method I (Exhibit 2) the period was for only 17 days and the mortgagee collected the 93 cents in a single installment.

When endorsement occurs in the second half of the amortization year, the mortgagee is entitled to a prorata credit of a portion of the initial premium for the period from the amortization date to the date of endorsement. This credit, or refund, is made by the FHA when the regular second annual premium becomes payable on the anniversary of the amortization date. This is done by deducting the credit from the regular second annual premium. It will be observed that in Method II (Exhibit 2) the mortgage was endorsed 194 days after the amortization date and the second annual premium was calculated

by deducting from the regular second annual premium of \$19.08 the credit of \$10.48.

715. After the second annual premium is paid, annual premiums are payable in the amounts shown in the amortization schedule.

716. Under the contract of insurance the mortgagee is obligated to pay annual premiums in the amount due. While the FHA forwards premium notices for the convenience of the mortgagee, the failure to forward such notice, or any error in the proper premium amount, does not relieve the mortgagee of its obligation to pay the amount due under the contract of insurance.

717. Prudent mortgagees and servicing agents should carefully check the amounts reflected in the premium notices against the amounts shown in the amortization schedule. When there are differences, payment of the premium in question should be withheld until reconciled with the FHA Comptroller.

718. Individual premium notices are forwarded to the mortgagee of record or the servicing agent designated by the mortgagee, approximately 30 days before such premiums are payable. The premium notices are on a continuous form, the last part of which, for the convenience of the mortgagee, carries a summary showing the total of the individual notices attached. Each premium notice is accompanied by a record of payment form which should be completed when the premium is paid by inserting the check number and date paid. The record of payment form should be retained for convenient payment reference as the FHA does not furnish receipts for premium payments.

719. When the notices are received by the mortgagee, those for regular annual premiums should be checked against the amortization schedules and those for adjusted second annual premiums should be verified by calculation.

720. If it is found that all of the notices are correct and payable, payment may be made by forwarding a remittance for the exact amount shown in the summary notice to the Comptroller, Federal Housing Administration, Washington 25, D. C., accompanied by the summary notice only. The individual premium notices may be retained by the mortgagee or servicing agent as a posting instrument to

allocate the premium remittance to the individual mortgage escrow accounts or for such other purpose as may be desirable.

721. If it is found that a premium is payable for which a premium notice was not received, a letter citing the complete FHA case number should be directed to the Comptroller, Federal Housing Administration, Washington 25, D. C., requesting a premium notice.

722. In many instances, however, especially those involving numbers of notices, the FHA billing will require the reconciliation of differences. These generally arise from the following situations:

(a) The billing may include premium notices on cases which were sold to another mortgagee or on which the servicing was assigned to another servicing agent, which the FHA did not clear from the billing because notices of such sale or assignment were not received in time. In such cases, the mortgagee or servicing agent should redirect the premium notices and record of payment forms to the new mortgagee or servicing agent. The amount of such redirected notices should be subtracted from the amount of the summary notice. The remittance to the FHA should then be accompanied by a letter listing the cases redirected and showing the name of the new mortgagee or servicing agent. If Notices of "Transfer by Transferor and Transferee" or Forms 994 (to change direction of premium notices only) have not been forwarded, such forms should be submitted without delay in order that the FHA's records may be revised and premium notices properly directed.

(b) The billing may include premium notices on cases which were paid in full by the mortgagor before the due date of the premium but which were not reported to the FHA in time to stop the billing. The amount of premium for such cases should be deducted from the amount shown in the summary notice, and the remittance and summary notice when forwarded to the FHA should be accompanied by the individual notices on the prepaid cases. Each notice should be marked to indicate the date on which the loan was paid in full and the date that Report of Prepayment of Insured Mortgage (FHA Form 2344) was forwarded to the FHA. If the prepayment has

not been previously reported, an executed Form 2344 in quadruplicate should be attached to the premium notice being returned. Remittance should not be withheld unless the loan has actually been prepaid prior to the due date shown in the premium notice.

(c) The billing may include a regular annual premium notice for an amount which does not agree with the premium shown on the amortization schedule as due on the case, or an adjusted annual premium notice for an amount which does not agree with the mortgagee's calculation. In this connection, careful note should be taken of the period covered as set forth in the notice, as adjusted premium calculations are generally made on the basis of a period of less or more than a full year, as outlined in preceding Paragraphs 709 through 715. If disagreement still exists, the mortgagee should deduct the amount of the premium notice in question from the amount of the summary notice. The individual premium notice and record of payment form, accompanied by a letter outlining the discrepancy, should be returned to the FHA with the remittance and summary notice.

723. To assist mortgagees and servicing agents in reconciling a premium billing, the premium reconciliation form (Exhibit 3) was designed and is enclosed with each billing. The form provides a convenient vehicle for reconciling on one instrument the various differences which have been outlined and may be used in lieu of individual letters. The premium reconciliation form contains a schedule for listing redirected premium notices which may be received in time to be included in the remittance for the monthly billing. When payment is being made for such redirected premium notices between regular monthly billing reconciliations the checks should be accompanied by a letter listing the items, showing the same data called for by the reconciliation form. To avoid listing numerous items in either the reconciliation form or in transmittal letters, mortgagees who do not use premium notices as posting media, or for other purposes, may prefer to transmit the notices in support of the schedule total or the transmittal letter.

724. As previously stated, the payment of mortgage insurance premiums is a contractual obligation of the mortgagee, and the remittance should not be

or delayed because of any delinquency of mortgagor or because of any deficiency in the mortgagor's escrow fund, nor should remittances be made in cases where foreclosure proceedings have been instituted, or title acquired by the mortgagee. The obligation to pay mortgage insurance premiums continues until such time as the property is sold or accepted by the Commissioner, or the contract of insurance has been otherwise terminated. In such cases, remittances should be forwarded by the mortgagor in time to reach the FHA before the due date.

Mortgagees and servicing agents should make certain that their identity is clearly designated (preferably above the signature portion of their checks) in order to assure proper payment credit.

The reconciling of discrepancies by mortgagees, the amount of premium notices and record on the front forms and the redirection of premium notices to new mortgagees or servicing agents sometimes cause delays which prevent remittances to the FHA before the due date. In such cases, the Comptroller approves the premium due cards to a delinquency status. At periodic intervals advises the mortgagee or servicing agent of the delinquency by the issuance of a premium due notice. This notice is similar to the regular premium notice except that it is on pink paper and the text clearly indicates that the premium is in delinquency.

Serious delinquency should be avoided by servicing agents and mortgagees. Such delinquency on the part of a servicing agent could give rise to the question of the propriety of continuing to permit the agent to service the mortgagee's loan. On the part of the mortgagee, it could raise a question as to whether the mortgagee's approval of the mortgagee to insure mortgages under the National Housing Act should not be withdrawn. Mortgagees are protected against any delinquency on the part of their servicing agents, however, by the failure of agents to pay premiums when due and by the termination of the insurance contract. Also, the Comptroller promptly notifies the mortgagee of the delinquency after the issuance of a past due notice, and gives the mortgagee opportunity to correct the delinquency before taking further action itself.

728. For the convenience of mortgagees who maintain their records alphabetically rather than by FHA case number, all premium notices and record of payment forms carry the names of the mortgagors. In the event of a substitution of mortgagor where the original mortgagor is to be released from liability under the obligation, as described in Section VI, Paragraph 602, of this handbook, the names of the new mortgagors will be shown on subsequent premium notices without further action by the mortgagee.

729. Where the original mortgagor is not released from liability under the obligation, mortgagees who wish to have subsequent premium notices reflect the names of the new mortgagors should report such substitutions to the Comptroller, FHA, Washington 25, D. C., on a form such as that shown as Exhibit 4 at the end of this section, or by a separate letter for each case which conveys the full information requested by the form. Supplies of the form may be obtained from the Comptroller. When such notices are forwarded less than 90 days before the premium due date, the case should be temporarily cross-referenced under the old name in the mortgagee's files, as the next premium notice received by the mortgagee may still carry the name of the old mortgagor.

730. When only the servicing of an insured mortgage is transferred by a mortgagee from one servicing agent to another, it is necessary to advise the FHA if the mortgagee wishes to have subsequent premium notices forwarded to the new servicing agent. For the convenience of mortgagees, the FHA designed the form illustrated as Exhibit 4a at the end of this section, supplies of which may be obtained from the Comptroller. Mortgagees may report such changes on this form or by a separate letter for each case which conveys the full information requested by the form.

731. The computation and collection of the insurance charge in connection with "Open-End Advances" under Section 225 of the Housing Act of 1954 differ in several respects from the treatment outlined in paragraphs above for premiums. Such insurance charge is based on the original face amount of the advance and remains constant during the life of the

mortgage, without regard to the reduction in outstanding balance. It should be computed in the following manner:

The initial insurance charge is adjusted at the time of request for insurance and is calculated by taking the number of months from the first of the month following the request for insurance to the next anniversary of amortization (premium due date of the regular mortgage) as a numerator and 12 as a denominator and multiplying one-half of one percent of the amount of the advance by the resulting fraction.

Example: Request for insurance endorsement of an open-end advance of \$1,000 is submitted to FHA on October 12 in connection with a mortgage having a premium due date (anniversary of amortization) of March 1. From November 1 (first of month following October 12) to March 1 is 4 months, and $\frac{4}{12} \times \$5$ ($\frac{1}{2}\% \times \$1,000$) equals \$1.67. This amount should be remitted with the request for insurance

endorsement. Thereafter the full insurance charge of \$5 will be payable annually in advance, together with the regular premium due on March 1 of each year for its remaining term on the original mortgage.

732. The escrow account for the insurance charge is established at settlement time when the mortgagee collects a full year's insurance charge plus $\frac{1}{12}$ thereof toward the accumulation of the second year's charge. In the case cited above this collection would amount to \$5 plus 42 cents or a total of \$5.42. Of this amount, the above \$1.67 would be remitted to FHA with the request for insurance endorsement, leaving a balance in escrow of \$3.75. To this would be added the amount collected with each monthly payment thereafter, so that from December through February ($3 \times .42$) \$1.26 would be collected and there would be a total of \$5.01 in the escrow account when the regular annual insurance charge billing (\$5) and the regular premium billing due March 1 are received in early February.

EXHIBIT 1

FHA FORM NO. 2037
(Premiums on Reducing Balances)

FEDERAL HOUSING ADMINISTRATION AMORTIZATION SCHEDULE

Monthly Payment to Principal and Interest, \$ 25.32

SERIAL OR PROJECT NO.

PAYMENT			NO.	MORTGAGE INSURANCE PREMIUM	PAYMENT TO INTEREST	PAYMENT TO PRINCIPAL	TOTAL PERIODIC PAYMENT	BALANCE DUE	NO.	PAYMENT		
DATE	DATE	DATE								DATE	DATE	DATE
M DAY YR.	M DAY YR.	M DAY YR.		1/2 PERCENT	1/2 PERCENT					M DAY YR.	M DAY YR.	M DAY YR.
			1	1971	1500	1032	2691	400000				
			2	159	1496	1036	2691	398968				
			3	159	1492	1040	2691	397932				
			4	159	1488	1044	2691	396892				
			5	159	1484	1048	2691	395848				
			6	159	1481	1051	2691	394800				
			7	159	1477	1055	2691	393749				
			8	159	1473	1059	2691	392694				
			9	159	1469	1063	2691	391635				
			10	159	1465	1067	2691	390572				
			11	159	1461	1071	2691	389505				
			12	159	1457	1075	2691	388434				
			13	1908	17743	12641	32292	387359				
			14	153	1453	1079	2685	386280				
			15	153	1449	1083	2685	385197				
			16	153	1444	1088	2685	384109				
			17	153	1440	1092	2685	383017				
			18	153	1436	1096	2685	381921				
			19	153	1432	1100	2685	380821				
			20	153	1428	1104	2685	379717				
			21	153	1424	1108	2685	378609				
			22	153	1420	1112	2685	377497				
			23	153	1416	1116	2685	376381				
			24	153	1411	1121	2685	375260				
			25	153	1407	1125	2685	374135				
			26	1836	17160	13224	32220	373006				
			27	147	1403	1129	2679	371873				
			28	147	1399	1133	2679	370736				
			29	147	1395	1137	2679	369594				
			30	147	1390	1142	2679	368448				
			31	147	1386	1146	2679	367298				
			32	147	1382	1150	2679	366143				
			33	147	1377	1155	2679	364984				
			34	147	1373	1159	2679	363821				
			35	147	1369	1163	2679	362653				
			36	147	1364	1168	2679	361481				
			37	147	1360	1172	2679	360305				
			38	1764	1356	1176	2679	359124				
			39	141	1355	1181	2673	357939				
			40	141	1351	1185	2673	356749				
			41	141	1347	1190	2673	355555				
			42	141	1342	1194	2673	354356				
			43	141	1338	1199	2673	353153				
			44	141	1333	1203	2673	351945				
			45	141	1329	1208	2673	350733				
			46	141	1324	1212	2673	349516				
			47	141	1320	1217	2673	348295				
			48	141	1315	1221	2673	347069				
			49	141	1311	1226	2673	345839				
			50	1692	1302	1230	2673	344604				
			51	135	1297	1235	2667	343364				
			52	135	1292	1240	2667	342120				
			53	135	1288	1244	2667	340871				
			54	135	1283	1249	2667	339617				
			55	135	1278	1254	2667	338359				
			56	135	1274	1258	2667	337096				
			57	135	1269	1263	2667	335828				
			58	135	1264	1268	2667	334555				
			59	135	1259	1273	2667	333278				
			60	135	1255	1277	2667	331996				
			61	135	1250	1282	2667	330709				
			62	135	1245	1287	2667	329417				
			63	1620	15254	15130	32004	328120				

(1)

4 1/2% - \$4,000 - 20-year loan - 240 payments - \$4,000 - 4 1/2%

EXHIBIT 2

METHOD I.—Setting up the premium escrow when endorsement of mortgage precedes amortization date

Date	Explanation	Debit	Credit	Balance
Apr. 15, 1954	Initial premium \$19.71 plus one-twelfth second annual premium \$1.59 collected at closing.		\$21.30	\$21.30
May 15, 1954	Initial premium remitted to FHA.	\$19.71		1.59
June 1, 1954	$17/365 \times \frac{1}{2}$ percent \times \$4,000 collected for period May 15, 1954, to June 1, 1954.		.93	2.52
July 1, 1954	Premium collected with first monthly payment.		1.59	4.11
Aug. 1, 1954	Premium collected with second monthly payment.		1.59	5.70
Sept. 1, 1954	Premium collected with third monthly payment.		1.59	7.29
Oct. 1, 1954	Premium collected with fourth monthly payment.		1.59	8.88
Nov. 1, 1954	Premium collected with fifth monthly payment.		1.59	10.47
Dec. 1, 1954	Premium collected with sixth monthly payment.		1.59	12.06
Jan. 1, 1955	Premium collected with seventh monthly payment.		1.59	13.65
Feb. 1, 1955	Premium collected with eighth monthly payment.		1.59	15.24
Mar. 1, 1955	Premium collected with ninth monthly payment.		1.59	16.83
Apr. 1, 1955	Premium collected with tenth monthly payment.		1.59	18.42
May 1, 1955	Premium collected with eleventh monthly payment.		1.59	20.01
May 20, 1955	"Adjusted second annual premium" remitted to FHA (second annual premium \$19.08 plus $17/365 \times \frac{1}{2}$ percent \times \$4,000 or 0.93 = \$20.01).	20.01		0
June 1, 1955	Premium collected with twelfth monthly payment.		1.59	1.59
July 1, 1955	Premium collected with thirteenth monthly payment.		1.53	3.12
Aug. 1, 1955	Premium collected with fourteenth monthly payment.		1.53	4.65
Sept. 1, 1955	Premium collected with fifteenth monthly payment.		1.53	6.18
Oct. 1, 1955	Premium collected with sixteenth monthly payment.		1.53	7.71
Nov. 1, 1955	Premium collected with seventeenth monthly payment.		1.53	9.24
Dec. 1, 1955	Premium collected with eighteenth monthly payment.		1.53	10.77
Jan. 1, 1956	Premium collected with nineteenth monthly payment.		1.53	12.30
Feb. 1, 1956	Premium collected with twentieth monthly payment.		1.53	13.83
Mar. 1, 1956	Premium collected with twenty-first monthly payment.		1.53	15.36
Apr. 1, 1956	Premium collected with twenty-second monthly payment.		1.53	16.89
May 1, 1956	Premium collected with twenty-third monthly payment.		1.53	18.42
May 20, 1956	Third annual premium remitted to FHA.	18.36		1.06

METHOD II.—Setting up the premium escrow when endorsement is in 2d half of amortization year

Date	Explanation	Debit	Credit	Balance
Apr. 15, 1954	Initial premium \$19.71 plus one-twelfth second annual premium \$1.59 collected at closing.		\$21.30	\$21.30
July 1, 1954	Premium collected with first monthly payment.		1.59	22.89
Aug. 1, 1954	Premium collected with second monthly payment.		1.59	24.48
Sept. 1, 1954	Premium collected with third monthly payment.		1.59	26.07
Oct. 1, 1954	Premium collected with fourth monthly payment.		1.59	27.66
Nov. 1, 1954	Premium collected with fifth monthly payment.		1.59	29.25
Dec. 1, 1954	Premium collected with sixth monthly payment.		1.59	30.84
Dec. 12, 1954	Initial premium remitted to FHA.	\$19.71		11.13
Jan. 1, 1955	Premium collected with seventh monthly payment.		1.59	12.72
Feb. 1, 1955	Premium collected with eighth monthly payment.		1.59	14.31
Mar. 1, 1955	Premium collected with ninth monthly payment.		1.59	15.90
Apr. 1, 1955	Premium collected with tenth monthly payment.		1.59	17.49
May 1, 1955	Premium collected with eleventh monthly payment.		1.59	19.08
May 20, 1955	"Adjusted second annual premium" remitted to FHA (second annual premium \$19.08 less $(194/365) \times \$19.71$ first annual premium or \$10.48)	8.60		10.48
June 1, 1955	Refund or credit to mortgagor.	10.48		0
June 1, 1955	Premium collected with twelfth monthly payment.		1.59	1
July 1, 1955	Premium collected with thirteenth monthly payment.		1.53	3
Aug. 1, 1955	Premium collected with fourteenth monthly payment.		1.53	4
Sept. 1, 1955	Premium collected with fifteenth monthly payment.		1.53	6
Oct. 1, 1955	Premium collected with sixteenth monthly payment.		1.53	7
Nov. 1, 1955	Premium collected with seventeenth monthly payment.		1.53	9
Dec. 1, 1955	Premium collected with eighteenth monthly payment.		1.53	10
Jan. 1, 1956	Premium collected with nineteenth monthly payment.		1.53	12
Feb. 1, 1956	Premium collected with twentieth monthly payment.		1.53	13
Mar. 1, 1956	Premium collected with twenty-first monthly payment.		1.53	15
Apr. 1, 1956	Premium collected with twenty-second monthly payment.		1.53	16
May 1, 1956	Premium collected with twenty-third monthly payment.		1.53	18
May 20, 1956	Third annual premium remitted to FHA.	18.36		1

¹ The one-twelfth of the second annual premium collected by the mortgagee at closing puts the mortgagee in funds 1 month before the due date of annual premiums due the FHA. This provision is made so that mortgagees may forward their remittance in time to reach the FHA on or before the due date. The twelfth installment in each premium year is, therefore, carried over by the mortgagee into the premium escrow for the next year. The twelfth installment is always slightly larger than the installments for the next year the carry-over creates "penny" credit balances shown in Methods I and II. These may be adjusted by the mortgagee at any time, or they may be permitted to accumulate to the credit of the mortgagor.

EXHIBIT 3—Front

PREMIUM RECONCILEMENT

**TO: The Comptroller
Federal Housing Administration
Washington 25, D. C.**

Date _____

Attn: RD-D

Enclosed is our remittance in accordance with the reconciliation below:

Premiums Due (From OUR OWN summary notice) \$ _____

Additions: From Schedule 1 \$ _____

Aggregate Premiums Due \$ _____

Deductions: From Schedule 2 \$ _____

Schedule 3 \$_____

Schedule 4 \$ _____

Schedule 5 \$ _____ \$ _____

Amount of remittance enclosed \$ _____

*PLEASE ASSURE THE ATTACHMENT OF ALL PERTINENT CASE LISTINGS.

FROM: _____
Name of Mortgagee _____ Address _____

BY: _____
Authorized Signature _____ Official Title _____

SCHEDULE 1- ADDITIONAL PREMIUM NOTICES RECEIVED BY US THROUGH REDIRECTION

SCHEDULE 2 - ADDITIONAL PREMIUMS		MONTH DUE	OTHER MORTGAGEE NO.	PREMIUM AMT.		
CASE NO.	MORTGAGOR					
Show all additional billings for which payment or receipt for non-payment is being made herewith			TOTAL			

Show all additional billings for which payment or reason for non-payment is being made herewith.

SCHEDULE 2--LOANS PAID IN FULL PRIOR TO PREMIUM DUE DATE

CASE NO.	MORTGAGOR	DATE FHA FORM 2344 FORWARDED*	PREMIUM AMT.		
*F FHA FORM 2344 was not previously forwarded attach executed copies and premium notices to this reconciliation			TOTAL		

IF FHA FORM 2344 was not previously forwarded attach executed copies and premium notices to this reconcilment

TOTAL

ATTACH ADDITIONAL SHEETS IF NECESSARY

(OVER)

EXHIBIT 3—Back

SCHEDULE 3—LOANS SOLD TO OTHER MORTGAGEES				
CASE NO.	MORTGAGOR	DATE FHA FORM 2080 FORWARDED*	PREMIUM AMT.	
* If FHA form 2080 was not previously forwarded attach executed copies to this reconciliation.			TOTAL	

SCHEDULE 4—LOANS SERVICED BY NEW SERVICING AGENT			
CASE NO.	MORTGAGOR	PREMIUM NOTICE REDIRECTED TO *	PREMIUM AMT.
* If future notices are to be sent to a new servicing agent, attach executed forms 994, unless previously submitted.			TOTAL

SCHEDULE 5—PREMIUM REMITTANCE WITHHELD FOR OTHER REASONS			
CASE NO.	MORTGAGOR	REASON FOR WITHHOLDING REMITTANCE *	PREMIUM AMT.
* Attach notices and record of payment forms.			TOTAL

ATTACH ADDITIONAL SHEETS IF NECESSARY

EXHIBIT 4

FHA FORM NO. 996
Rev. Aug. 1955

(Please print or type)

Federal Housing Administration
Comptroller's Division
Receipts and Deposits Section
Premium Review Unit
Washington 25, D. C.

Date _____
(Submit original only)

CHANGE OF MORTGAGOR NAME

DEAR SIR: It is requested that your records be corrected to reflect a change in the name of the Mortgagor(s) in connection with the following described loan. The original mortgagor has not been released from liability on the note.

FHA CASE NO. _____ OUR LOAN NO. _____

PROPERTY ADDRESS _____
(Street and number) (Lot and block number) (City) (State)

MATURITY DATE (Month) _____ (Year) _____

FROM _____
(If the name of the former mortgagor is not in agreement with the name now recorded in Division files, this difference must be reconciled.)

TO _____
(Name of new Mortgagor(s))

Yours very truly,

(Mortgagee or Servicing Agent)

(Address)

NOTE: Revision of billing files can not be made unless the above information is complete and accurate.

EXHIBIT 4a

FHA Form No. 994

(Please print or type)

Submit original only

(Name and Location of Holding Mortgagee)

Federal Housing Administration
Comptroller's Division
Receipts and Deposits Section, Premium Rev. Unit
Washington 25, D. C.

Date _____

Re: FHA CASE NO. _____ OUR LOAN NO. _____

MATURITY DATE (Month) _____ (Year) _____

PRESENT MORTGAGOR (Full Name) _____
(If the mortgagor name is not in agreement with the name now recorded in Division files, this difference must be reconciled.)

Dear Sir: Please change your billing files on this case so that future premium notices will be forwarded to:

(Name of Institution)

(Address)

(Location)

By _____
(Signature) (Title)

NOTE: In order for this change to be accomplished, it is imperative that all descriptive information concerning this mortgage be complete and accurate. Please withhold submission of this form until 75 days after the case has been endorsed for insurance, to allow sufficient time for the preparation of original billing records.

VIII. METHODS OF APPLYING PARTIAL PREPAYMENTS

801. The borrower under an insured mortgage may make partial prepayments to principal, in excess of the regular monthly payment, at such times and in such amounts as set forth in the forms of credit instruments approved by this Administration.

802. To illustrate the methods by which such payments may be made examples have been prepared which describe the use of the amortization schedules, furnished by the Federal Housing Administration in connection with each insured mortgage loan, as a guide to the mortgagee in the allocation of partial prepayments by mortgagors.

803. For use in illustrating these methods, a loan of \$4,000 for 25 years (300 payments) has been selected. This loan is at $4\frac{1}{2}$ percent interest, but the same method applies for any interest rate.

(a) METHOD No. I: *Monthly Payments Made In Advance—No Acceleration of Maturity.*—It is assumed that the mortgagor desires to make two additional payments on June 1, 1946, in order to obviate the necessity of making the July 1 and August 1, 1946, payments on their due dates. It is not necessary to notify this Administration of any payments made under this method. The application of payments by this method is illustrated in Exhibit 5 at the end of this section.

In this case, the mortgagor would make his full regular payment No. 5 for June 1, 1946, and two additional regular payments, No. 6 and No. 7, for July and August 1946, as checked on this schedule. After these payments are credited to his account, the mortgagor would have an outstanding balance of \$3,948.75 as shown opposite payment No. 7. In this case, the mortgagor merely paid two full monthly payments in advance, and his next payment is not due until September 1, 1946. After making the regular payment on September 1, 1946, the outstanding principal balance will be \$3,941.32.

NOTE.—Taxes, hazard insurance, etc., applicable to the payments anticipated should be similarly paid in advance.

(b) METHOD No. II: *Maturity of Loan Accelerated.*—After making regular payments from February 1, 1946, to and including payment No. 14 on March 1, 1947, the mortgagor desires to reduce the principal by \$150, and to continue the same monthly payment. This method is illustrated in Exhibit 5.

The balance outstanding after the fourteenth pay-

ment is.....	\$3,896.14
Amount desired to be paid by mortgagor.....	150.00

Tentative balance.....	3,746.14
------------------------	----------

With reference to the amortization schedule under the heading, "balance due," it is found that the nearest approximation to the above tentative balance is the schedule principal shown at the thirty-third payment amounting to \$3,746.19. The schedule balance is, therefore, \$0.05 more than the proposed tentative balance shown above. Accordingly, a partial prepayment may be accepted from the mortgagor in the amount of \$149.95. (This is the closest principal amount to the prepayment the mortgagor wished to make which will keep him on the schedule.) This payment will adjust his schedule down to and including the thirty-third payment, as indicated, and the outstanding principal balance will then be \$3,746.19.

The mortgagor will then make his next regular monthly payment on April 1, 1947, using the same schedule and picking up for the "total monthly payment" the amount of premium shown opposite payment No. 15 (\$1.57) and the amount of interest and principal as shown for payment No. 34 (interest \$14.05, principal \$8.19). Subsequent payments will be collected and distributed similarly.

It should be noted that acceleration of the loan may render operative the premium specified in the credit instruments of payment of the loan in full prior (Section 222.3). It is not necessary to notify the FHA of any payments made under this

such partial prepayments do not affect mortgage insurance premiums.

(c) METHOD No. III: *To Reduce Monthly Payment—No Acceleration of Maturity.*—After reducing his obligation to \$3,713.25, the balance at payment No. 37, either by regular monthly installments alone or including the prepayments illustrated, the borrower wished to make a partial prepayment of \$1,000 but desired to have it applied so as to reduce his monthly payment without change in maturity date. This method is illustrated by Exhibit 5 and the following calculations:

Installments

The obligation was originally \$4,000 for 25 years or . . . 300
His balance outstanding was \$3,713.25 after paying . . . 37

He wishes, therefore, to amortize \$2,713.25 over . . 263

The amortization tables (Appendix V) show the monthly payment per thousand for 263 months at 4½ percent interest to be \$5.99. This figure, multiplied by the outstanding principal balance, and pointed off three additional places, produces the reduced monthly payment. (Example: \$5.99 × \$2,713.25 = \$16.25.)

The monthly installment to principal and interest is, therefore, reduced from \$22.24 to \$16.25. The new payments beginning with No. 38 will, therefore, consist of \$16.25 for principal and interest, plus the installments shown on the original schedule for mortgage insurance premium, plus installments for taxes and hazard insurance.

It is not necessary to notify the FHA of any payments made under this method as such partial prepayments do not affect mortgage insurance premiums. After such prepayments, a new supplementary amortization schedule showing the application of the new payment of \$16.25 to interest and principal is necessary. These are not furnished by the FHA but may be prepared by the mortgagee as follows:

Divide the interest rate by 12 to obtain the monthly interest factor. (Example: $\frac{0.045}{12} = 0.00375$.) This

factor multiplied by the outstanding principal balance gives the monthly interest. (Example: $0.00375 \times \$2,713.25 = \10.17 .) The first reduced payment on the new supplementary amortization schedule will be as follows:

Payment No. 37: Balance due	\$2,713.25
Payment No. 38:	
Mortgage insurance premium (No. 19)* . . .	1.57
Payment to interest (No. 38)	10.17
Payment to principal (No. 38)	6.08
Balance due	2,707.17

(*Note: If Method No. II type of prepayment had not occurred, premium would be No. 38, \$1.49.)

The payment to principal of \$6.08 subtracted from the outstanding principal balance \$2,713.25 gives the new outstanding principal balance of \$2,707.17. Each subsequent payment is similarly calculated except that in calculating the interest the new principal balance is substituted each month.

EXHIBIT 5

FHA Form No. 2256
(Revised June 1, 1946)

FEDERAL HOUSING ADMINISTRATION

4000-200-4 1/2

METHODS OF APPLYING PARTIAL PREPAYMENTS AMORTIZATION SCHEDULE

Monthly Payment to Principal and Interest, \$22.24

(Serial No.)

PAYMENT		Mortgage Insurance Premium 1/2 Percent	Payment to Interest 4 1/2 Percent	Payment to Principal	Total Monthly Payment	Balance Due	PAYMENT	
Date Due	No.						No.	Date Made
METHOD No. 1								
Feb. 1, 1946	1	\$19.80				\$4,000.00	1	Feb. 1, 1946
Mar. 1, 1946	2	1.61	\$15.00	\$7.24	\$23.85	3,992.76	2	Mar. 1, 1946
Apr. 1, 1946	3	1.61	14.07	7.27	23.85	3,985.40	3	Apr. 1, 1946
May 1, 1946	4	1.61	14.95	7.20	23.85	3,978.20	4	May 1, 1946
June 1, 1946	5	1.61	14.92	7.32	23.85	3,970.88	5	June 1, 1946
July 1, 1946	6	1.61	14.89	7.35	23.85	3,963.53	6	July 1, 1946
Aug. 1, 1946	7	1.61	14.86	7.38	23.85	3,956.15	7	Aug. 1, 1946
Sept. 1, 1946	8	1.61	14.84	7.40	23.85	3,948.75	8	Sept. 1, 1946
Oct. 1, 1946	9	1.61	14.81	7.43	23.85	3,941.32	9	Oct. 1, 1946
Nov. 1, 1946	10	1.61	14.78	7.46	23.85	3,933.80	10	Nov. 1, 1946
Dec. 1, 1946	11	1.61	14.75	7.49	23.85	3,926.37	11	Dec. 1, 1946
Jan. 1, 1947	12	1.61	14.72	7.52	23.85	3,918.85	12	Jan. 1, 1947
		19.32	178.19	88.60	286.20			

METHOD No. 2								
Feb. 1, 1947	13	1.57	14.67	7.57	23.81	3,003.74	13	Feb. 1, 1947
Mar. 1, 1947	14	1.57	14.64	7.60	23.81	3,896.14	14	Mar. 1, 1947
Apr. 1, 1947 MIP	15	1.57	14.61	7.63	23.81	3,888.61	15	Apr. 1, 1947
May 1, 1947 MIP	16	1.57	14.58	7.66	23.81	3,881.05	16	May 1, 1947
June 1, 1947 MIP	17	1.57	14.55	7.69	23.81	3,873.46	17	June 1, 1947
July 1, 1947 MIP	18	1.57	14.52	7.72	23.81	3,865.84	18	July 1, 1947
	19	1.57	14.50	7.74	23.81	3,858.20	19	
	20	1.57	14.47	7.77	23.81	3,850.53	20	
	21	1.57	14.44	7.80	23.81	3,842.83	21	
	22	1.57	14.41	7.83	23.81	3,835.10	22	
	23	1.57	14.38	7.86	23.81	3,827.35	23	
	24	1.57	14.35	7.89	23.81	3,819.56	24	
		18.84	174.12	92.70	285.72			
	25	1.53	14.23	7.90	23.77	3,811.83	25	
	26	1.53	14.20	7.93	23.77	3,804.08	26	
	27	1.53	14.17	7.96	23.77	3,796.30	27	
	28	1.53	14.14	7.99	23.77	3,788.49	28	
	29	1.53	14.11	8.02	23.77	3,780.65	29	
	30	1.53	14.08	8.05	23.77	3,772.78	30	
	31	1.53	14.05	8.08	23.77	3,764.88	31	
	32	1.53	14.02	8.11	23.77	3,756.95	32	
	33	1.53	13.99	8.14	23.77	3,748.99	33	
	34	1.53	13.96	8.17	23.77	3,741.00	34	
	35	1.53	13.93	8.20	23.77	3,732.98	35	
	36	1.53	13.90	8.23	23.77	3,724.93	36	
		18.36	169.86	97.02	285.24			

METHOD No. 3								
	37	1.40	13.06	8.28	23.73	3,713.25	37	July 1, 1947 P&I
	38	1.40	13.02	8.32	23.73	3,704.03	38	
	39	1.40	13.00	8.35	23.73	3,696.58	39	
	40	1.49	13.80	8.38	23.73	3,688.20	40	
	41	1.49	13.83	8.41	23.73	3,679.79	41	
	42	1.40	13.80	8.44	23.73	3,671.35	42	
	43	1.49	13.77	8.47	23.73	3,662.88	43	
	44	1.49	13.74	8.50	23.73	3,654.38	44	
	45	1.49	13.70	8.54	23.73	3,645.84	45	
	46	1.49	13.67	8.57	23.73	3,637.27	46	
	47	1.49	13.64	8.60	23.73	3,628.67	47	
	48	1.40	13.61	8.63	23.73	3,620.04	48	
		17.88	165.39	101.49	284.76			

4000-200-4 1/2

(1)

108553*-39

4 1/2%—\$4,000—25-year loan—300 payments—\$4,000—4 1/2%

IX. PREPAYMENT IN FULL PRIOR TO MATURITY

901. When an insured mortgage is paid in full prior to maturity, the regulations provide that the contract of insurance shall terminate. Termination of the contract of insurance, however, is not automatic. It does not occur until, in accordance with the provisions of the regulations, the mortgagee, within 30 days after the loan is prepaid in full, notifies the Commissioner of the prepayment; pays to the Commissioner the adjusted (prepayment) premium equal to 1 percent of the original principal amount of the prepaid mortgage, if due, and the Commissioner advises the mortgagee that the contract of insurance has been terminated.

902. Upon notification that an insured mortgage has been paid in full prior to maturity the Commissioner will terminate the contract of insurance when he determines:

(a) That all annual premiums and the adjusted (prepayment) premium due in accordance with the regulations under which the loan was endorsed for insurance have been received from the mortgagee.

(b) The pro rata amount of the premium to be refunded to the mortgagee for the account of the mortgagor.

903. The provisions governing the termination of the contract of insurance when an insured mortgage is paid in full prior to maturity are outlined in Sections 222.3 and 222.4 of the regulations for mortgage insurance under Section 203 of the National Housing Act and may be found in Appendix III, of this handbook.

904. To assist mortgagees in reporting the full circumstances of prepayment to the Federal Housing Administration so that the contract of insurance can be expeditiously terminated without additional correspondence, FHA Form 2344, Report of Prepayment of Insured Mortgage, shown as Exhibit 6 at the end of this section, is provided by the FHA. Complete

instructions for the proper execution and transmittal of the report are printed on its reverse side.

905. In order that the refund of the unearned portion of the current mortgage insurance premium may be accurately determined, it is especially important for the mortgagee to indicate clearly on line 4 of the FHA Form 2344 the exact date on which the insured mortgage was paid in full.

906. The determination by the Commissioner as to whether the adjusted (prepayment) premium in any particular case may be waived or is payable requires the submission by the mortgagee of a citation to the appropriate provisions of this handbook or the regulations and in some instances the full circumstances which resulted in the payment in full of the insured mortgage. In paragraph 908 the circumstances of prepayment which are pertinent to this determination are outlined in full.

907. Under the following circumstances, the adjusted (prepayment) premium charge may be less than 1 percent of the original principal:

(a) If, at the time of prepayment, the adjusted (prepayment) premium of 1 percent of the original principal amount of the prepaid mortgage exceeds the aggregate amount of the regular annual premiums which would have been payable if the mortgage had continued to be insured until maturity, the adjusted (prepayment) premium to be paid is the lesser of the two figures.

908. The adjusted (prepayment) premium shall not be due and payable in the following circumstances:

(a) Where at the time of such prepayment there is placed on the mortgaged property a new insured mortgage.

(b) Where the final maturity specified in the mortgage is accelerated solely by reason of partial prepayments made by the mortgagor which do not

exceed in any one calendar year 15 percent of the original face amount of the mortgage, plus any increased amount resulting from open-end advances. In reviewing the account for the purpose of making this determination, all partial prepayments made during the emergency period, May 27, 1941 through June 30, 1952, should be disregarded as the 15 percent provision was inoperative during that period.

(c) Where the final maturity specified in the mortgage is accelerated solely by reason of payments to principal to compensate for (1) damage to the mortgaged property (2) the conveyance of the mortgaged property pursuant to condemnation proceedings or in lieu of condemnation proceedings (3) a release of a part of such property if approved by the Commissioner.

(d) Where payment in full is made pursuant to a court order or of a delinquent mortgage on which foreclosure proceedings have been commenced, or for the purpose of avoiding foreclosure, if the transaction is approved by the Commissioner.

(e) Where payment in full is made within 60 days after the date the mortgage is endorsed for insurance, provided the mortgagee submits to the Commissioner a certificate signed by the mortgagor certifying that such payment was made in connection with the sale of the property to a veteran, as defined in Section 221.11 (c) of the Regulations, for his occupancy as a home.

909. An insured mortgage may be paid in full prior to its original maturity under any one or a combination of two or more of the circumstances outlined above, some of which may have occurred some time prior to the actual payment in full of the mortgage. It is the responsibility of the mortgagee to the mortgagor to determine all the circumstances which resulted in prepayment prior to maturity and to report them fully to the Commissioner in order that in terminating the contract of insurance the Commissioner may properly fix the amount of the adjusted (prepayment) premium due, if any, or refund any portion of the annual premium.

910. If the limitations of FHA Form 2344, Report of Prepayment of Insured Mortgage, do not permit the mortgagee to submit all of the circumstances involved in the prepayment, the report should be

submitted with an accompanying letter from the mortgagee outlining the circumstances in full. If the mortgagee is in doubt as to whether or not the adjusted (prepayment) premium is due in a particular case it will expedite termination if the mortgagee will forward its remittance for the adjusted (prepayment) premium with the Report of Prepayment of Insured Mortgage. When it is determined whether the premium is due in whole or in part, any excess amount remitted will be refunded.

911. The Report of Prepayment of Insured Mortgage should be accompanied by a remittance for the 1 percent adjusted (prepayment) premium in those cases where the circumstances of prepayment require such payment. When a report of prepayment is received by the FHA, the contract of insurance cannot be terminated until an audit of the case is made to determine that all premiums due have been collected. If the mortgagee has not remitted and it is found in the audit that a premium is due, termination of the contract must necessarily be delayed until such premium is collected.

912. Under certain circumstances the mortgagee's own records will establish that no adjusted (prepayment) premium is due or payable, and such cases will represent exceptions to the general rule that the report of prepayment should be accompanied by a remittance in payment of the 1 percent adjusted premium.

(a) In cases involving partial prepayments, for example, the mortgagee should determine from its own records, as provided in 908 (b) above, whether such prepayments were less than 15 percent of the original face amount of the mortgage, plus open-end advance if any, in any one calendar year or whether those partial prepayments in excess of the 15 percent provision were made during the period from May 27, 1941 through June 30, 1952. In any such case the report of prepayment should bear a citation to either Section 222.3 (c) (2) of the Regulations or to Paragraph 908 (b) of this handbook.

(b) In a case where the mortgagee submits FHA Form 2491, Special 60-Day Prepayment Certificate, establishing that the loan was paid in full within 60 days after insurance of the mortgage in connection with the sale of the property to a veteran, as defined

in Section 221.11 (c) of the Regulations, for his occupancy as a home, a remittance in payment of the adjusted (prepayment) premium charge need not be submitted. As provided in Paragraph 908 (e), such certificate, properly executed by the mortgagor, is acceptable in lieu of the adjusted premium charge. (See line 11, appendix I.)

(c) In a case where an application has been filed with the FHA for the insurance of a new mortgage on the same property covered by the prepaid mortgage, the mortgagee should enter the serial number of the new application on line 2 of the report of prepayment. A remittance in payment of the 1 percent adjusted (prepayment) premium charge need not be submitted with the report of prepayment in any such case, but the mortgagee should collect the adjusted premium from the mortgagor and retain it in the premium escrow account. This procedure is recommended for the mortgagee's own protection in the event the application for insurance of the new mortgage is withdrawn or rejected, causing the adjusted (prepayment) premium to become payable to the FHA before the insurance contract can be terminated.

913. Upon receipt of the mortgagee's report of prepayment, accompanied either by a remittance in payment of the adjusted premium charge or an appropriate letter establishing that such charge is not due or payable, a termination review of the case is made.

914. Upon completion of the termination review the acknowledgment at the bottom of the report of prepayment is executed to show that the contract of insurance has been terminated, and the amount of premium refund, if any, due the mortgagee for the account of the mortgagor. An acknowledged copy of the FHA Form 2344 indicating that the contract of insurance has been terminated by the Commissioner will be returned to the mortgagee or the authorized agent, whichever party executed the report of prepayment, and the pro rata premium refund will be made to that same party.

915. Upon receipt of such acknowledged copy of Form 2344, the mortgagee or servicing agent may then refund to the mortgagor any amounts remaining in his premium escrow account.

916. It is not advisable to close out and settle an account at the time of prepayment, since the termination review of the case may disclose a deficit in the amount of the annual mortgage insurance premium collected. If premiums have been collected in accordance with the amortization provisions of the mortgage, the mortgagee should be in funds to meet any such deficit. If it disbursed the premium escrows at time of prepayment, the mortgagee is faced with a contractual obligation to the FHA and a difficult problem of recollection from the mortgagor. The FHA is required by law to insist upon the payment of the premiums due under the contract of insurance.

REPORT OF PREPAYMENT OF INSURED MORTGAGE

IMPORTANT: Before preparing this report read carefully the instructions on reverse side. Submit in quadruplicate with remittance, if any, in an envelope addressed to the Comptroller, Federal Housing Administration, Washington 25, D. C.

The insured mortgage listed below has been paid in full and the original credit instrument has been duly canceled.

1. Loan No.	(FHA serial number)	(Mortgagee's number or reference, if any)
Original amount of loan, \$.....		Maturity date	
Property address	(Street and number)	(Lot and block number)	(City) (State)
Mortgagor(s)	(Insert name(s) of legal owner(s) of the property at time of prepayment. If the mortgage was insured under Section 203 of the National Housing Act and the legal owner(s) are not the original mortgagor(s), give date of title transfer to legal owner(s) if this information is readily available in your files.)		
Mortgagor's present address	(Street and number)	(City)	(State)
2. Application for new insured mortgage on this property filed under FHA Case No.			
3. Adjusted premium charge of \$..... is enclosed. (Remittance should be enclosed except under conditions outlined in instructions.)			
4. (a) Date of prepayment		(b) Date of this report	
5. (a)	(Name of mortgagee)	(b)	(Mortgagee's authorized agent)
.....	(Street and number)	(Street and number)
.....	(City and State)	(City and State)
By	(Signature and title)	By	(Signature and title)

Date

To: The mortgagee or its authorized agent:

The contract of insurance covering this insured mortgage has been terminated in accordance with the above information and the regulations of the Federal Housing Administration.

A mortgage insurance premium refund of \$..... has been authorized for the account of the mortgagors and a check will be forwarded in due course. This refund and any premiums held in escrow may be returned to the mortgagors.

.....
Comptroller.

INSTRUCTIONS REGARDING PREPAYMENT OF AN INSURED MORTGAGE PRIOR TO MATURITY

This report, prepared as indicated below, should be submitted in quadruplicate to the Comptroller, Federal Housing Administration, Washington 25, D. C., within 30 days after any loan insured under Sections 8, 203, 213, 222 (individual mortgages), 603, 611 (individual mortgages), and 903 of the National Housing Act has been paid in full and the credit instrument duly canceled:

1. Care should be exercised in filling out the identification data, and particularly the FHA loan number and mortgagor's name, as errors will delay completion of the final audit and the termination of the Contract of Insurance.

2. If a new insured mortgage is to be placed on the same property, enter "Yes" in item 2 or the FHA serial number of the new loan, if available. If there is no superseding insured loan, enter the word "None." If no information is available regarding a new FHA insured mortgage, enter "No information."

Note.—When the mortgage is prepaid from proceeds of a new insured mortgage, the final audit of the premium account cannot be made by the Comptroller in the prepaid case (and the notice of termination of the contract of insurance cannot be returned to the mortgagee) until the documents covering the superseding case have been endorsed for insurance in the field office and forwarded to the Washington office; consequently, the furnishing of the FHA case number on the new loan in item 2 in such instances will materially expedite the final audit.

3. The mortgagee is responsible to the Commissioner for the payment of the adjusted (prepayment) premium, as well as any mortgage insurance premiums found to be due after final audit. Accordingly, in all instances of prepayment the adjusted (prepayment) premium of 1 per centum of the original face amount of the prepaid mortgage should be collected from the mortgagor unless the mortgagee is satisfied that no adjusted premium is due or payable. The Administrative Regulations specify the exceptions under which the mortgagee is relieved from its obligation to pay the adjusted premium to the Commissioner, but if the mortgagee is in doubt in a particular case as to the applicability of any such exceptions the mortgagee may find it advisable to

collect the premium charge from the mortgagor until the applicability of the exception has been established by the Commissioner.

The amount of the adjusted (prepayment) premium when due and payable should be remitted to the Commissioner with Form 2344 and the amount thereof should be inserted in item 3. In those cases where the mortgagee has knowledge that a new insured loan has been placed on the same property or that an application for insurance has been filed, the amount of the adjusted (prepayment) premium should be held in escrow, together with other funds accumulated for the payment of renewal mortgage insurance premiums, until notice is received that the contract of insurance has been terminated.

4. Enter in item 4 the exact date on which the mortgagee or its authorized agent received payment in full.

Note.—The accuracy of this date is IMPORTANT, as the Administrative Regulations provide for a refund of the unearned portion of the current mortgage insurance premium theretofore paid which is applicable to that portion of the premium year beginning the first day of the month following the month of PREPAYMENT.

5. Enter the name and address of the mortgagee at 5 (a) in all cases, and

- (a) If the form is executed by the mortgagee, complete by adding the signature and title of an authorized official of the mortgagee institution.
- (b) If the form is executed by the mortgagee's agent, complete by adding at item 5 (b) the name and address of the agent followed by the signature and title of an authorized official of such agent.

Upon completion of the termination audit, any refunds that are due will be certified for payment TO THE INSTITUTION THAT EXECUTED THE NOTICE OF PREPAYMENT. An acknowledged copy of this report, indicating that the contract of insurance has been terminated, will be forwarded TO THE SAME INSTITUTION.

X. MORTGAGES SOLD TO ANOTHER MORTGAGEE

1001. The several regulations governing mortgages on individual homes include the following provision concerning the sale of an insured mortgage:

"When the insured mortgage is transferred to another approved mortgagee, such transferor and transferee shall both notify the Commissioner of such transfer within 30 days thereof, and the transferee shall thereupon succeed to all the rights and become bound by all the obligations of the transferor under the contract of insurance, and the transferor shall thereupon be released from its obligations under the contract of insurance."

For this purpose "Notice of Transfer by Transferor and Transferee," FHA Form 2080, shown as Exhibit 7 at the end of this section, is furnished by the Federal Housing Administration and is designed for joint execution by both transferor and transferee. Complete instructions for the proper execution of the form are printed on its reverse.

1002. When an insured mortgage is sold, the seller (transferor) should initiate Form 2080 in quadruplicate for transmittal with the mortgage documents to the purchaser (transferee). The form is initiated by completing the upper half and inserting in the lower half the "date notice executed by the transferor."

1003. After the transferee receives the mortgage documents and the partially executed Form 2080, the lower half of the form is completed by inserting

dates of acceptance and execution by the transferee, the transferee's name, address and signature, and the name and address of the institution to which the transferee wishes to have premium notices forwarded by the FHA after the sale is effected. All 4 copies of Form 2080 will then be sent to the Comptroller of the FHA, Washington, D. C. The transferee is substituted in the FHA's records, upon receipt of Form 2080, as the holder of the mortgage, and billing records are corrected to direct future premium notices as indicated in the form. The acknowledgment panel at the bottom of the form is then executed by the FHA Comptroller, and copies are returned to the transferee and transferor.

1004. If any of the data in Form 2080 are omitted, incomplete, or incorrect, the transfer must necessarily be withheld from processing until the form can be completed or corrected by correspondence with the mortgagees involved.

1005. Unless Form 2080 is received by the FHA more than 60 days before the due date of the next annual premium, its processing will not be in time to alter the directions of the premium notice for that year. Hence, the premium notice will be received by the transferor, who should then redirect it to the transferee and report the redirection either by letter or on the premium reconciliation form.

FEDERAL HOUSING ADMINISTRATION

NOTICE OF TRANSFER BY TRANSFEROR AND TRANSFeree

Under Regulations for Mortgage Insurance under Sections 8, 203, and 603 of the National Housing Act)

HOUSING ADMINISTRATION,
Washington, D. C.

FHA Contract of Insurance No. _____

Name of Mortgagor _____

Original amount of loan, \$ _____

Address of property _____ (City) _____ (State)

Maturity date of mortgage:

Transferor.

(Street address)

(City) _____ (State)

(Month) _____ (Year)

By _____
(Signature and title)
The instruments insured under the above Contract of Insurance have been duly transferred by the
named Transferor to the undersigned Transferee.
It is the understanding of the Transferor and the Transferee that the Transferee hereby succeeds to
all the rights and assumes all the obligations of the Transferor under said Contract of Insurance and that
upon receipt of this notice by the Federal Housing Administration, the Transferor shall thereupon be
released from its obligations under said Contract of Insurance pursuant to the Regulations of the
Commissioner.

Transferee.

(Street address)

(City) _____ (State)

(Date notice executed by Transferor)

(Date notice executed by Transferee)

(Date of transfer, acceptance of instru-
ments by Transferee)

By _____
(Signature and title)
Until further notice send bills for annual mortgage insurance premiums to—

Receipt of original of this notice is hereby acknowledged.

Dated _____, 195__

FEDERAL HOUSING ADMINISTRATION.

By _____
Comptroller.

After execution by both parties, original and three copies to be sent to Comptroller of Federal Housing Administration,
Washington 25, D. C., who will acknowledge and return copy to each party.)

10-15334-7

EXHIBIT 7—Back

INSTRUCTIONS REGARDING THE EXECUTION OF NOTICE OF TRANSFER BY TRANSFEROR
AND TRANSFeree

The instructions set forth below are designed to assist mortgagees in meeting their responsibility to report transfers of insured mortgages under the provisions of paragraph 1, Article VII of the Section 203 regulations and paragraph 1, Article VI of the Section 603 regulations. The forms must be completely executed by the Transferor and Transferee in accordance with the instructions set out below and submitted (in QUADRUPLICATE) to the Comptroller, Federal Housing Administration, Washington, D. C., within thirty (30) days after the transfer of the insured loan. Upon completion of the necessary changes in the records of the Administration an acknowledged copy will be returned to each party.

No. 1.—Insert on the first line the contract of insurance number which appears in the endorsement panel on the reverse side of the credit instrument.

No. 2.—Insert on the second line the names of the mortgagors. If there has been a substitution of mortgagors the names of all concerned should be inserted and identified.

No. 3.—Insert on the third line the original principal amount of the loan.

No. 4.—Insert on the fourth line the address of the property.

No. 5.—Insert on the fifth line the name of the approved institution by which the insured documents have been transferred.

No. 6.—Insert on the sixth and seventh lines the full address of the Transferor.

No. 7.—The signature and title of the officer of the institution should be inserted on the next line. (Rubber stamps may be used if desired.)

No. 8.—Insert on the ninth line the name of the approved institution to which the insured documents have been transferred.

No. 9.—Insert on the tenth and eleventh lines the full address of the Transferee.

No. 10.—The signature and title of the officer of the institution should be inserted on the next line. (Rubber stamps may be used if desired.)

No. 11.—The dates of execution of the instrument by the Transferor and Transferee should be inserted on the lines provided therefor and the date of transfer (acceptance of the instruments by the Transferee) should be inserted on the line provided.

No. 12.—Insert on the next two lines the name of the institution to which mortgage insurance premium notices are to be forwarded, indicating the street, city, and State address.

Article VII, paragraph 1 of the Section 203 Regulations and Article VI, paragraph 1 of the Section 603 Regulations provide as follows:

"When the insured mortgage is transferred to another approved mortgagee, such transferor and transferee shall both notify the Commissioner of such transfer within thirty (30) days thereof, and the transferee shall thereupon succeed to all the rights and become bound by all the obligations of the transferor under the contract of insurance; and the transferor shall thereupon be released from its obligations under the contract of insurance.

"Whenever the insured mortgage is transferred to another approved mortgagee for the purposes of collateral only, no notice need be given to the Commissioner until such collateral is foreclosed, but the transferor shall remain subject to all the obligations of the contract of insurance."

U. S. GOVERNMENT PRINTING OFFICE 16-16334-1

XI. PROCEDURES AFTER DEFAULT

1101. Although this Handbook was prepared for mortgagees' use in connection with loans insured under Section 203, the procedures, references, and exhibits discussed in chapter XI, unless otherwise noted, apply equally to one- to four-family mortgages insured under the individual home mortgage programs of the National Housing Act. Exhibits referred to herein appear in order listed at the end of this chapter.

1102. All approved mortgagees are required to service insured mortgages in accordance with practices acceptable to prudent lending institutions. It is expected that in the event of default the mortgagee will be able to communicate readily with the mortgagor and will exercise diligence in attempting to obtain payment in accordance with the terms of the mortgage. Proper servicing of the mortgage is, of course, the responsibility of the mortgagee and is not a function to be assumed by FHA insuring offices. However, the latter are ready to aid mortgagees and mortgagors in developing mutually satisfactory solutions of difficult cases upon request being made for such assistance.

1103. In the event of default, the mortgagee or its servicing agent is to notify the Insuring Office of the FHA having jurisdiction of the area wherein the mortgage security is located by filing Form No. 2068, Notice of Default (exhibit 8). Additionally, all subsequent Notices of Default Status, as required herein, should also be forwarded to the appropriate FHA Insuring Office. It is not necessary to forward copies of these reports to Washington headquarters. The form is largely self-explanatory, and instructions on the reverse side of the form assure its easy completion. The first notice is to be filed 60 days after default occurs which is 30 days after the date the delinquent

payment is due, provided no payment has been made in the meantime. If the mortgage is reinstated, six monthly installments become delinquent or foreclosure proceedings become imminent, after notice of default has been filed, notification should be made by immediately filing a report on Form No. 2068. A report should be filed at the time foreclosure is instituted, and no subsequent report is required until the default is cured, the foreclosure suspended, or foreclosure proceedings are completed. If there is an unusual delay in consummating the foreclosure action, the Director of the Insuring Office having jurisdiction should be informed of the circumstances of the case. In the event of a foreclosure sale, prompt notification should be made by submitting Form No. 2068.

1104. If there are reasons why a foreclosure action should not be commenced within 1 year of the date of default of the mortgage as required by the regulations, the mortgagee should advise the Director of the Insuring Office having jurisdiction concerning the sound value of the property, the amount of the unpaid mortgage obligation, the circumstances causing the default, and request an appropriate extension of the time limitation.

1105. Mortgagees desiring to acquire title to property by deed in lieu of foreclosure of a mortgage should address requests for the Commissioner's consent to the Director of the Insuring Office having jurisdiction.

1106. If the default is not cured and the mortgagee forecloses or otherwise acquires title to a property securing a home mortgage the Director of the Insuring Office having jurisdiction should be promptly notified on Form No. 2068. When submitting this advice the mortgagee is required to indicate its election

as to whether or not the property will be tendered in exchange for debentures and certificate of claim unless the right of redemption exists. If the property will not be offered to the Commissioner and the mortgagee wishes to waive its insurance rights, the mortgagee should so indicate on Form No. 2068. The contract of insurance will be terminated promptly and the obligation to pay any subsequent mortgage insurance premiums ceases. In those cases where the right of redemption exists the mortgagee is not in a position to tender the property until the redemption period expires at which time the mortgagee should indicate its election. The date of the expiration of the redemption period must be included on Form No. 2068 when advising of the completion of foreclosure.

1107. The Insuring Office having jurisdiction, after preliminary processing, forwards Form 2068 (indicating that the property will be offered to the Commissioner in exchange for debentures) to the Comptroller's Division of FHA which will immediately furnish the mortgagee with FHA Forms 2319, 2765, and 2766 (exhibits 9, 10, and 11) together with a statement showing title requirements. These forms are to be completed and returned within 30 days after the date the property is acquired.

1108. If title to and possession of a property is acquired by a mortgagee and a tender within the 30-day period prescribed by the applicable regulation is not practicable the Director of the Insuring Office having jurisdiction will consider a request for an extension of this period upon being fully informed of the circumstances of the case by the mortgagee.

1109. Preliminary title evidence showing title in the mortgagee is to be attached to the completed FHA Form 2765 and forwarded to the Comptroller's Division, Federal Housing Administration, Washington 25, D. C. Preliminary Title Requirements consist of the following:

1. Proposed form of deed conveying property to "Norman P. Mason of Washington, D. C., Federal Housing Commissioner, his suc-

cessors and assigns." (Include covenants which warrant title against acts of mortgagee and all claiming by, through or under it. Recite nominal consideration if such recital is adequate under the laws of the State in which the property is located. One deed covering a group of properties is satisfactory. Do not record deed until it has been examined by FHA and acceptance date has been set).

2. Resolution of Mortgagee's Board of Directors or other evidence establishing that person executing deed has authority to act for mortgagee.

3. Evidence as required by the applicable provisions of the Administrative Regulations (in any one of the forms set forth below) showing title in the mortgagee. (If more than one property is involved, furnish evidence for each property individually.) Include map or diagram showing property location with reference to public streets or roads. Include survey, if available. If restrictions or easements exist, furnish a verbatim copy of same together with evidence establishing that restrictions have not been violated and that easements are so located as not to interfere with the use of the property.

- (a) If title evidence consists entirely of Abstract and Attorney's Opinion, use FHA Form No. 2319, Attorney's Certificate of Title (exhibit 9).

- (b) If Owner's Policy of Title Insurance is to be offered, furnish Preliminary Certificate showing title in mortgagee.

- (c) If Mortgagee's Policy of Title Insurance is offered, supplemented by Abstract and Attorney's Certificate covering the period subsequent to the date of the mortgage, the terms of the policy must be such that the liability of the Title Company will continue in favor of the Commissioner after title is conveyed to him (the policy may be drawn in favor of the mortgagee and the Federal Housing Commissioner "as their interests may appear," or the policy may be assigned to the Commissioner with the consent of the Title Company endorsed thereon).

4. The original credit and security instruments, if available, or a deficiency judgment, if any, duly assigned or endorsed by the mortgagee, without recourse, to Norman P. Mason, as Federal Housing Commissioner, his successors and assigns. Title evidence and FHA Form 2765, Application for Debentures and Certificate of Claim, complete in all details, are to be submitted together to the Comptroller's Division, Federal Housing Administration, Washington 25, D. C.

1110. Final accounting data and supporting receipts are to be furnished after the conveyance of the property to the Commissioner as soon as all costs and the amounts of any refunds are available. Forms for furnishing this data will be forwarded at the time the mortgagee is advised the date title will be accepted.

1111. It is essential that the heading to FHA Form 2765, Application for Debentures and Certificate of Claim, be completed in all details. The FHA case number, the name of the mortgagor(s) or owner(s) of record at the time of foreclosure and the location of the property (not the address of the former mortgagor) must be included. If a group submission (five or more cases) the cases should be arranged in column 1 on reverse side of the form in numerical order with the lowest case number first.

1112. Section I—Factual Data should be completed to show in line 1, the present status of the property with respect to occupancy, line 2, the date the last complete installment received prior to the institution of foreclosure was due and in lines 3 and 4 both the date to which interest was paid by the payment shown in line 2 and the unpaid principal amount of the mortgage. The means by which title to the property was acquired should be indicated in line 5. If title was acquired by foreclosure, or under power of sale contained in the security instrument, the date the first legal step necessary to acquire the title was taken should be shown in line 6. The date to be inserted in line 7 is the date on which title to the property

was acquired. The amount of any deficiency or claim against the mortgagor(s) is to be shown in line 8 and indicate in line 9 whether judgment has been obtained.

1113. If foreclosure was instituted on a group of five or more cases as of the same date (or if the properties were otherwise acquired), the information for lines 1, 2, 3, 4, 8, and 9 is to be shown for the individual cases on the reverse side of the form.

1114. The Schedule of Tax Information, Form 2766, should be completed to show in the upper half of the form the kinds of taxes or assessments which are or may become liens against the property including water rates, if such will become a lien against the property, if unpaid, the tax year, the dates due and delinquent and to whom payable. In the lower half, the case number, property description and the amounts of taxes last paid should be shown.

1115. Upon receipt by the FHA the documents are examined to determine that the claim is in order, that the required documents are in proper form, that title evidence is satisfactory, and that the property is acceptable to the Commissioner. As soon as this determination is made, the Legal Division will advise the mortgagee, its agent or attorney, the date title and possession of the property will be accepted and will furnish forms for final accounting and set out additional title requirements if any.

1116. The last step to accomplish actual conveyance of the property is the submission of final title evidence executed as of a date to include the recordation of the deed to the Commissioner, showing that according to the public records there are not, at such date, a standing liens, including any past due unpaid ground rents, general tax assessments. Where more than one property is being conveyed, separate title evidence is required in each case.

1117. The Fiscal Data in Support of the Application for Debentures and Certificate of Claim, Form 2767 (exhibit 12), and Summary of Rental Accounting, Schedule A (exhibit 13), Form 2767a, are not to be submitted until all

costs required to complete the final accounting, including all costs in connection with the conveyance to the Commissioner and the receipt of the return premium on cancellation of the insurance policy are available. In the case of group submissions, Schedules B and C, Forms 2767 (b) and (c) should also be completed. The completed forms, together with the necessary supporting data, are to be returned to the Comptroller's Division, Federal Housing Administration, Washington 25, D. C., and the final title evidence should be forwarded to the Legal Division. If the accounting data are ready for submission before final title evidence, the accounting forms should be sent to the Comptroller's Division so that processing of the fiscal information may not be delayed by reason of the inability of the mortgagee to provide the Federal Housing Administration with final title evidence.

1118. The instructions (exhibit 14) included with the forms have been written to correspond with the section and items, as shown on Form 2767 and 2767 (a). The instructions set forth not only the disbursements which may be properly included, but also those which may not be included. Proper and complete presentation of the required information will greatly expedite processing of the claim and issuance of the debentures.

1119. In addition to the forms having been designed to serve as a check list for determining that all related items have been reported, a Check Sheet, Form 2770 (exhibit 14A), is furnished as a guide to assist in obtaining a complete submission of the forms and supporting data required to effect prompt settlement of applications for debentures. It will be of mutual benefit in reducing FHA's processing time and the need for correspondence if the individual items of the instructions as coordinated with the items on Form 2767 and 2767 (a), and the items referred to on the Check Sheet are reviewed and verification is made that:

1. Original or photo copied receipts have been submitted for all foreclosure costs, attor-

ney's fees, conveyance costs and that these costs have been itemized. If receipts are not obtainable for any of these items, a statement of the reason for such omission must be furnished.

2. Original or photo copies of receipted invoices or tax bills have been obtained for *all payments made*, from escrow or advanced by the mortgagee for taxes or hazard insurance *after the due date* of the last complete installment received prior to the institution of foreclosure and that the receipts equal the amounts shown in Section II B (2) and (3).

3. A photo copy or transcript of the payment record card is attached to assist in the reconciliation of the funds in the escrow accounts and shown in Section II C, as well as the unpaid principal balance of the mortgage and any other receipts shown in Section II E.

4. The amount of return premium has been entered under II E and if no refund is shown that an explanation is furnished.

5. Receipts (original or photo copies) furnished for any other disbursements claimed elsewhere on the application or on the Summary of Rental Accounting.

6. The Schedule A has been completed in every respect and an assignment of the right to collect any rent which was due and unpaid at the date the tenant vacated or the date the Commissioner accepted title has been furnished.

1120. Provision is made for the inclusion in the debentures of all, or a portion of the foreclosure costs, or of acquiring the property by other means, actually paid by the mortgagee in connection with mortgages accepted for insurance under certain sections of the Act, provided certain conditions are met in connection with mortgages accepted for insurance under Sections 203 (b) (2) (B) or (D) provided certain other conditions are met. Foreclosure costs not included in the debentures are included in the Certificate of Claim. Since the mortgagee will ordinarily not be in possession of sufficient information to make the computation as to the amount, if any, in-

cludible in the debentures on account of foreclosure costs, this computation will be made by the FHA and the maximum allowable amount will be included in the debentures without any necessity of making claim therefor. With respect to any mortgage accepted for insurance under Section 203 on or after August 2, 1954 (the effective date of the Housing Act of 1954), provision has been made for inclusion in the debentures of all or a portion of the foreclosure cost (or the cost of acquiring the property by other means). In addition, there will be included in the debentures with respect to mortgages accepted for insurance under Section 203 on or after August 2, 1954, the amount of any tax imposed by the United States upon any deed or other instrument by which the property was acquired by the mortgagee and transferred or conveyed to the Commissioner. The mortgagee should, in submitting the accounting data, be certain that the amount of U. S. Revenue Stamps placed upon the deeds has been clearly indicated in the foreclosure and conveyance costs as this information is necessary for FHA to make the adjustments in the settlement. If the property was accepted for insurance under Section 203 (b) (2) (B) and if the unpaid principal balance as of the date foreclosure proceedings were instituted exceeded 80 percent of the appraised value of the property when accepted for insurance or if the property was insured under Section 203 (b) (2) (D) or Section 203 (Housing Act of 1954) regardless of the unpaid principal balance, foreclosure costs actually expended and approved by the Commissioner will be allowed in the debenture settlement as follows:

Section	Amount Allowable
203 (b) (2) (A)...	None.
203 (b) (2) (B)...	Up to 2 percent of unpaid principal balance but not in excess of \$75.
203 (b) (2) (C)...	None.
203 (b) (2) (D)...	Not in excess of two-thirds of such cost or \$75 whichever is greater.
and 203 (1954 Act)...	

Note.—Under Section 8 of Title I and individual mortgages under Section 213 the same provision applies

as under 203 (b) (2) (D). With respect to individual mortgages under Sections 213, 220, 221, 222, and 809 accepted for insurance after the effective date of the Housing Act of 1954 the same provision applies as under Section 203 (1954 Act). Under Section 603, Section 903, and individual mortgages under Section 611 the same provision applies as under Section 203 (b) (2) (B) except two-thirds of the foreclosure costs may be included if this amount is larger.

1121. The FHA will also compute the amount to be included in the Certificate of Claim on account of defaulted mortgage interest. This amount will be computed to the date the property was accepted by the Commissioner. The amount of mortgage interest which has accrued for the period from the date through which paid to the date the property was accepted by the Commissioner will be computed and from this amount will be deducted the amount of interest accrued on the debentures from the date of the debentures to the date the property was accepted by the Commissioner. For the method used to compute debenture interest see paragraph 1127.

1122. Upon completion of the examination of the application and the fiscal data submitted in support thereof, a notification of the amount of settlement to be made, a statement detailing the differences, if any, between the amounts claimed and the amounts allowed, and the Certificate of Claim are forwarded by FHA to the mortgagee. At this time the schedules authorizing the issuance of debentures and the cash adjustment check are prepared and forwarded to the Treasury Department (See par. 1131.) Unless otherwise required, debentures will be issued in the large denominations possible. (See par. 1126.)

1123. Under the terms of a contra mortgage insurance, upon conveyance property to the FHA Mortgagee is entitled to receive (1) debenture to the value of the mortgage, and (2) Certificate of claim covering certain items included in the debentures. The total of the two instruments equals the amount the mortgagee would have received had

been paid in full at the date of acceptance of the property by FHA, plus the necessary expenses incurred in the acquisition of the property by the mortgagee and conveyance of title to the FHA.

1124. The value of the mortgage for which the debentures are issued is determined by adding to the amount of the original principal obligation of the mortgage which was unpaid on the date of the institution of foreclosure proceedings, or on the date of the acquisition of the property after default other than by foreclosure, (1) the amount of all payments which have been made by the mortgagee for taxes, ground rents, and water rents, which are liens prior to the mortgage, special assessments which are noted on the application for insurance or which become liens after the insurance of the mortgage, (2) insurance on the mortgaged property, and (3) any mortgage insurance premiums paid after either of such dates. From the total of the above items must be deducted any amounts received on account of the mortgage after either of such dates and any rent or other income from the property, less reasonable expenses incurred in handling the property. In the case of mortgages insured under certain Sections of the National Housing Act, there may also be included in the debentures an amount, as outlined in paragraph 1120 above, for foreclosure costs actually expended and approved by the Commissioner.

1125. The certificate of claim is issued as of the date of conveyance of title to the FHA in an amount sufficient to equal all amounts due under the mortgage not covered by the amount of the debentures. Such amounts include reasonable expenditures for necessary expenses incurred by the mortgagee in connection with foreclosure proceedings, or the acquisition of the mortgaged property after default, if not allowable in the debentures, and the conveyance thereof to the Commissioner, including reasonable attorneys' fees and earned and unpaid interest.

1126. FHA debentures are registered, transferable securities, available in denominations of \$50, \$100, \$500, \$1,000, \$5,000, and \$10,000. Although these securities are primarily the liability of the insurance funds for which they are executed, they are fully and unconditionally guaranteed as to principal and interest by the United States. Since denominations of debentures are in multiples of \$50, any difference of less than \$50 between the value of the mortgage and the aggregate face amount of debentures due under the claim is adjusted by the issuance of a check in payment thereof.

1127. Debentures are dated as of the date foreclosure proceedings were instituted or the date the property was otherwise acquired by the mortgagee after default, interest accrues from that date and the Treasury Department computes debenture interest at the semiannual interest rate to January 1 and July 1 of each year. To compute debenture interest for periods less than a full semiannual period, the semiannual interest rate is divided by the actual number of days included in the period (considering the additional day in a leap year) and the resulting factor is carried to seven decimal places. This daily factor will represent $1/181$ of the semiannual interest rate for each day during the period January 1 to July 1 of a normal year, $1/182$ for each day during the period January 1 to July 1 of a leap year, and $1/184$ for each day during the period July 1 to January 1. The daily interest factor multiplied by the number of days during a semiannual interest period that debentures are outstanding will produce an interest factor for the partial period. This factor multiplied by the amount of debentures gives the dollar interest for the partial period.

1128. The debentures issued under the Mutual Mortgage Insurance Fund mature 3 years after the first day of July following the maturity date of the mortgage on the property in exchange for which the debentures were issued, except that debentures issued in connection with mortgages committed for insurance on

and after August 2, 1954, mature 20 years after their effective date.

1129. FHA debentures bear interest at varying rates depending upon the rate specified in the regulations under which the insurance was granted. Debentures issued in connection with mortgages committed for insurance on and after August 9, 1954, bear interest at the rate in effect as of the date the commitment was issued or as of the date the mortgage was endorsed for insurance whichever rate is the higher. Such interest rate is established by the Commissioner from time to time in an amount not in excess of the annual rate of interest determined by the Secretary of the Treasury, at the request of the Commissioner, by estimating the average yield to maturity, on the basis of daily closing market bid quotations or prices during the calendar month next preceding the establishment of such rate of interest, on all outstanding marketable obligations of the United States having a maturity date of 15 years or more from the first day of such next preceding month, and by adjusting such estimated average annual yield to the nearest one-eighth of 1 per centum. With the exception of the debentures issued under the Mutual Mortgage Insurance Fund in connection with insurance granted prior to February 3, 1938, debentures may be redeemed at the option of the FHA Commissioner at par plus accrued interest on any interest day or days on 3 months' notice.

1130. The chart (exhibit 15) lists the various interest rates, redemption, maturity, and tax provisions of FHA debentures and summarizes their characteristics. One double-lettered series of debentures has been established under each of the following FHA insurance funds: Mutual Mortgage Insurance Fund—Series AA; Housing Insurance Fund—Series BB; Section 220 Housing Insurance Fund—Series CC; Section 221 Housing Insurance Fund—Series DD; Servicemen's Mortgage Insurance Fund—Series EE; Armed Services Housing Mortgage Insurance Fund—Series FF; and the National Defense Housing Insurance Fund—

Series GG. By the insertion of the appropriate date of issue, maturity, and rate of interest in blank spaces provided on the security, these double-lettered series are adaptable for issue in connection with mortgages insured under various regulations. On original issues since October 1955, double-lettered series of debentures have been substituted for single-lettered series under the Mutual Mortgage Insurance, Housing Insurance, Armed Services Housing Mortgage Insurance, and National Defense Housing Insurance Funds. Single-lettered series will be continued under the Title I Housing Insurance and War Housing Insurance Funds in connection with insurance granted prior to the expiration of authority to insure new loans under these two funds.

1131. The issue, transfer, exchange, redemption, payment, purchase, and retirement of, and the payment of interest on, debentures are handled by the United States Treasury Department acting as agent for the Federal Housing Administration. Such transactions are governed by the United States Treasury Department General Regulations with respect to United States Securities, so far as applicable. At the time of original issue the Division of Loans and Currency, Treasury Department transmits the debentures to the mortgagee by registered mail. The cash adjustment check is forwarded separately by regular mail from the Division of Disbursement, Treasury Department. Checks for the accrued interest on the debentures follow shortly thereafter, as explained below.

1132. Since debentures bear the date that action to acquire the property was instituted and earn interest from that date, usually a substantial amount of debenture interest has accrued by the time the mortgagee receives the debentures. Checks covering the interest which has accumulated during this period through the last semiannual interest date, either January 1 or July 1, are mailed by the Treasury Department within 15 days after shipment of the debentures. Thereafter semiannual interest

checks are mailed to the registered holders of debentures as of January 1 and July 1 each year until the debentures mature or are redeemed. (See par. 1127 for method to compute interest for periods less than a full semiannual period.)

1133. The Treasury Department will effect denominational exchanges and transfers of debentures, after original issue, upon surrender, cancellation, and retirement of a like face amount of debentures of the same series and maturity date. In the case of a denominational exchange where the debentures are to be inscribed in the same manner as the debentures presented and no change of ownership is involved, no assignment is required. The debentures should be forwarded directly to the Treasury Department, Division of Loans and Currency, Washington 25, D. C., or through a Federal Reserve bank, together with specific instructions for the issuance and delivery of the new debentures.

1134. All debentures are negotiable and may be assigned. If it is desired to transfer ownership of a debenture, a duly authorized officer of the institution should execute the first blank assignment form on the back of the debenture in the presence of an officer authorized to witness assignments of United States registered bonds. The witnessing officer, who should be other than the officer executing the assignment on behalf of the institution, should affix to the certificate of acknowledgment his official signature, title, address, seal, and the date. The debentures should then be forwarded directly to the Treasury Department, Division of Loans and Currency, Washington 25, D. C., or through a Federal Reserve bank accompanied by a signed letter of instructions (or Treasury Department Form P. D. 1644) showing the disposition to be made of them.

1135. In case of transfer of ownership, the authority of the officer to assign must be supported by a certified copy of a resolution of the board of directors or governing body of the institution conferring general or specific authority to assign, *unless such a resolution is*

already on file with the Division of Loans and Currency, Treasury Department, Washington 25, D. C. Treasury Form P. D. 1009 (general authority), or P. D. 1010 (specific authority), should be used for this purpose. A specific authority covers only the transaction stipulated thereon. A general authority is sufficient to support assignments of any and all United States securities outstanding in the name of the registered owner so long as the officers named are acting in the same capacity, or until the submission of a new resolution. In executing Forms P. D. 1009 and 1010, if the titles only of officers are given, a certificate of incumbency (Form P. D. 1014), under corporate seal, should be furnished. Complete instructions for its execution appear on the reverse of each of these forms (exhibits 16, 17, and 18).

1136. Brief instructions for assigning FHA debentures will be found on the reverse of each debenture. Officers authorized by the Secretary of the Treasury to witness assignments of United States securities are listed in section 306.43 of Treasury Department General Regulations With Respect to United States Securities, Department Circular No. 300, revised April 30, 1955. Generally, such officers include certain designated officers of the United States Treasury at Washington; judges and clerks of United States courts; United States attorneys, collectors of customs, and regional commissioners and district directors of internal revenue; officers of banks and trust companies chartered by or incorporated under the laws of the United States or those of any State, Commonwealth, or Territory of the United States who have been authorized generally to bind their respective institutions by their acts, and other officers of such corporations who may be specially authorized by their respective institutions to witness such assignments.

1137. Upon original issue, debentures are shipped by the Treasury Department via registered mail at the risk and expense of the United States. Debentures to be delivered upon transfer or denominational exchange transactions,

unless delivered in person to the registered owner or his duly authorized representative, are delivered by registered mail without expense to, but at the risk of, the registered owner. However, delivery will be made by express collect at the risk and expense of the owner, if written instructions to that effect are given.

1138. When the FHA exercises its right of call, the debentures first issued in the series will be selected for redemption. The Treasury Department, acting as agent for the FHA, will notify registered holders 3 months in advance of the redemption date of the serial numbers which will be called. Concurrently this call notice will be published also in the Federal Register. Specific instructions covering the assignment of the debentures and their presentation for redemption will be furnished by the Treasury Department with each call notice.

1139. In making a call for the redemption of debentures the FHA Commissioner will offer to purchase at par plus accrued interest to date of purchase, any debentures included in the call at any time during the 3 months between the date of the notice and the redemption date. During these 3 months no transfers or denominational exchanges in debentures covered by the call will be made by the Treasury Department; however, this does not affect the right of the holder of a debenture to sell and assign it during the period, as provision is made for the payment of the final interest due on the redemption date together with the principal thereof to the actual owner, as shown by the assignments on the debenture.

1140. At maturity, the debentures must be assigned to "the Federal Housing Commissioner for redemption," in the first blank form of assignment provided on the back of the debenture, and transmitted to the Treasury Department for payment. The assignment for redemption should be executed by a duly authorized officer of the institution in the presence of an officer authorized to witness assignments, in the same manner as outlined above

for transfer of ownership. However, if the check in payment of the debenture is to be drawn payable to the account of the owner, no proof of the authority of the officer who executes the assignment is required.

1141. Each title of the National Housing Act provides that mortgage insurance premiums shall be payable by the mortgagee either in cash or in debentures issued under the particular insurance fund to which such premiums are to be credited. For example, Title I Housing Insurance Fund debentures may be used to pay Title I Section 8 insurance premiums; Mutual Mortgage Insurance Fund debentures are acceptable in connection with Section 203 premiums; Housing Insurance Fund debentures, for Sections 207 and 213 premiums; War Housing Insurance Fund debentures, for Sections 603, 608, and 611 premiums; etc. The value of debentures presented in connection with the payment of insurance premiums is calculated at par plus accrued interest to date of retirement.

1142. In the interest of simplicity the FHA offers to purchase debentures monthly at par plus accrued interest to date of retirement in lieu of accepting them to pay mortgage insurance premiums. The offer to purchase is made for the reason that it is improbable that the proceeds, including interest to date of retirement, would be in the exact amount of the premium paid so that it would be necessary either for the mortgagee to make up the deficit with a supplemental check or for the FHA to refund the excess proceeds to the mortgagee. This is caused by the fact that the Treasury Department in its capacity as agent for the FHA calculates the interest on debentures to the actual date of redemption and it is impossible to determine in advance the exact date on which the redemption will be effected and through which the interest will be calculated.

1143. In the event a mortgagee desires to submit debentures for purchase in connection with insurance premiums on mortgages held in its portfolio, the check covering the pre-

miums should be forwarded when due in the usual manner. Debentures offered for sale should be forwarded once a month directly to the FHA Comptroller in a separate transmittal, offering to sell them at par plus accrued interest in lieu of applying them to the payment of insurance premiums and citing the amount of premiums paid or the average monthly premiums under the appropriate fund, as explained in the following paragraph.

1144. The face amount of debentures to be submitted monthly for purchase may be determined on either of two bases: (1) the amount of the premiums payable for the month, rounded to the nearest \$100; or (2) the monthly average of insurance premiums payable by the mortgagee under the appropriate FHA insurance fund rounded to the nearest \$100. If basis (2) is adopted a calculation of one-half percent of the present outstanding balance of loans held in the mortgagee's portfolio under the appropriate insurance fund would be a fair estimate of the annual premiums. This figure divided by 12 would establish the amount of average monthly premiums. When debentures are to be submitted monthly for purchase under basis (2), the FHA Comptroller must be advised of the total amount of the current outstanding balance of the loans held by the mortgagee under the appropriate insurance fund on which the calculation for monthly purchases is based. Unless there are substantial fluctuations in the outstanding balance of the mortgagee's portfolio from month to month, it will be necessary for the mortgagee to revise the outstanding balance figure only once a year so long as it continues to submit debentures for purchase under this arrangement.

1145. If premiums paid by servicing agents for the mortgagee's account are included in its calculation of the amount of debentures to be submitted for purchase in a month, the mortgagee should forward with its transmittal to the FHA Comptroller a list of its servicing agents under the appropriate section or sections of the act showing (1) name and address, (2)

amount of premiums paid for its account by each, and (3) the amount of premiums on loans which it services directly. If debentures are submitted on the basis of the average monthly premiums a list should be submitted giving the current outstanding balance of loans on which each servicing agent is paying the premiums and of those on which the mortgagee is paying the premiums directly. In submitting these data summary information segregated by sections of the act should be furnished, as detailed listings of loans are not required.

1146. The right to use debentures to pay mortgage insurance premiums is not inherent in the debentures themselves, since they are negotiable and may be held by any investor, but is a privilege extended under the National Housing Act to approved mortgagees with respect to insured loans in their own portfolios. However, a servicing agent who owns debentures may submit them for purchase in connection with mortgage insurance premiums on loans he is servicing for other mortgagees provided he has permission to do so from the principals involved. In that event the servicing agent is required to furnish the FHA Comptroller with a letter from each of the mortgagee-principals authorizing the use of debentures to pay its insurance premiums.

1147. The letter should state that the mortgagee-principal is giving the servicing agent authority to use debentures to pay insurance premiums for its account, that the mortgagee-principal understands that it may not submit debentures in payment of the same mortgage insurance premiums, and should give the amount of the annual insurance premiums being paid or the present outstanding balance of the loans being serviced for its account by the servicing agent under each section of the act. Such letters of authority will remain in effect until canceled in writing by the mortgagee-principal.

1148. In forwarding debentures for purchase in lieu of using them to pay insurance premiums

a servicing agent must indicate in its transmittal letter the amount of debentures under each FHA insurance fund it is submitting in connection with premiums paid for the account of each mortgagee-principal which has granted the required authority and the amount relating to premiums paid on loans held in its own portfolio, if any.

1149. Debentures offered for purchase in connection with mortgage insurance premiums should be assigned to "The Federal Housing Commissioner for purchase" in the first blank form of assignment on the back of the debenture, and transmitted to the Comptroller, Federal Housing Administration, Washington 25, D. C., accompanied by a signed letter of instructions indicating what disposition should be made of them. The assignment for purchase should be executed by a duly authorized officer of the institution in the presence of an officer authorized to witness assignments, in the same manner as outlined in paragraphs 1134, 1135, and 1136 above for transfer of ownership.

1150. If denominations on hand do not lend themselves to the submission of debentures for purchase in face amount equivalent to the monthly insurance premiums rounded to the nearest \$100, a debenture should be assigned for partial redemption and reissue of the remainder. In such case the assignment should read to "The Federal Housing Commissioner for purchase to the extent of \$ (insert amount) and reissue of \$ (insert amount)." For example, if the mortgage insurance premiums paid under Section 203 for the month amount to \$4,345 and the mortgagee holds a \$5,000 Mutual Mortgage Insurance Fund debenture that it desires to offer for purchase, the debenture should be assigned to "The Federal Housing Commissioner for purchase to the extent of \$4,300 and reissue of \$700." When debentures are submitted for partial redemption, the reissued debentures will usually be mailed to the registered holder a few days ahead of the check covering the proceeds of the redemption.

1151. No separate check covering the final interest payment on debentures will be issued by the Treasury Department. Final interest on any debenture, whether purchased prior to or redeemed on or after the call or the maturity date, will be paid together with the principal in accordance with the assignments on the debentures surrendered. In all cases the check in payment of principal and final interest will be mailed to the address given in the letter of instructions or form of advice accompanying surrendered debentures.

1152. The certificate of claim is issued by the FHA Commissioner in the name of the insured mortgagee and is transferable only upon its surrender to the FHA at Washington, D. C., properly assigned, in accordance with instructions on the back of the instrument. Upon such surrender a new certificate of claim will be issued to the assignee. The certificate is executed as of the date of conveyance of title to the property to FHA and is a contingent liability of the mortgage insurance fund under which the mortgage was insured. There accrues to the holder of the certificate of claim an increment at the rate of 3 percent per annum of the face amount of the certificate.

1153. The owner of the certificate of claim is advised in the instrument that the amount, if any, to which he shall be entitled shall be contingent and dependent upon the net amount realized from the property as determined by the Commissioner. With respect to mortgages committed for insurance after August 11, 1955, and, with the consent of the mortgagee mortgagor, as the case may be, with respect to mortgages committed for insurance prior to August 11, 1955, the Commissioner is authorized to effect settlement of the claim and refund to mortgagor at the sale of the property without final liquidation of the property of determining the amount from. If the net amount of property (after deduction by the Commissioner

with, and disposing of such property and in the collection of all claims) exceeds the face amount of the debentures and the cash adjustment paid, plus all interest paid on the debentures, such excess shall be applied to the payment of the certificate of claim until the face amount thereof, plus the increment, is paid in full.

1154. The certificate of claim shall become void and of no effect (a) upon the payment of such excess as provided above (whether it liquidates the certificate in part or in full), or (b) upon the failure of the Commissioner to realize any excess upon the full liquidation of the property. Upon the liquidation of the property the Commissioner shall notify the registered holder of the certificate by mail at the post office address as shown by the records of the Commissioner, of the disposition of the proceeds and of the voidance and termination of the certificate of claim.

1155. If there remains an excess from the sale of a home property after paying the certificate of claim and increment thereon at 3 percent, the National Housing Act provides that such remainder shall be paid to the mortgagor; except that this does not apply in the case of a mortgage insured under Section 903.

1156. In order to be in a position to make settlement with the insured mortgagee and the mortgagor, with respect to a property conveyed to the Commissioner under the terms of insurance the FHA maintains for each such property an individual account which reflects all income and expense relating to the property.

1157. With respect to mortgages committed for insurance after August 11, 1955, settlement as of date of sale is effected as soon as all income from the property has been received and all expenses have been paid. In connection with mortgages committed for insurance prior to August 11, 1955, if the property is sold for cash, settlement as of date of sale is effected as soon as all income has been received and all expenses have been paid; and if a mortgage note or sales contract has been accepted by the FHA under the terms of sale, settlement is ef-

fectured upon final liquidation of the Commissioner's interest in the property, except that with the consent of the mortgagee or mortgagor, as the case may be, settlement may be made any time after the sale of the property. Debenture interest is charged against each individual property to the settlement date or maturity date, whichever comes first.

1158. At the time of settlement, the registered holder of the certificate of claim is notified by the FHA of the amount available for payment thereon, or the amount of loss sustained by the insurance fund. In those cases where there are excess proceeds from the sale of the property, a letter is transmitted in duplicate to the mortgagee advising of the amount available for partial or full settlement of the certificate of claim. The mortgagee is requested to execute one copy of the letter by indicating his acceptance of the settlement and to return the executed copy to the FHA Comptroller together with the certificate of claim, which must be assigned or released to the FHA Commissioner on the reverse thereof. When the check in settlement is forwarded to the mortgagee, a copy of the voucher showing the total amount of income received, total amount of expenses incurred, and the excess proceeds is attached for the information of the mortgagee.

1159. In those cases where the sale of a foreclosed property results in a loss to the insurance fund and no payment can be made on the certificate of claim, the mortgagee is furnished a letter showing the total amount of income received, total amount of expenses incurred, and the loss to the insurance fund, and he is requested to return the certificate of claim to the FHA for cancellation.

1160. If any excess remains after provision for the certificate of claim and increment thereon, a letter in duplicate is sent to the mortgagor advising of the remaining excess. The mortgagor is requested to execute one copy of the letter by indicating his acceptance of the settlement and to return the executed copy to the FHA Comptroller. Upon receipt of the executed copy, a voucher is processed to effect payment.

EXHIBIT 8

FHA Form No. 2068
Revised June 1956FEDERAL HOUSING ADMINISTRATION
NOTICE OF DEFAULT STATUSForm Approved
Budget Bureau No. 63-R734.4

Mortgage Insured Under the National Housing Act

To: FEDERAL HOUSING ADMINISTRATION

INSURED UNDER (Please check):

- ☐ Title I, Class 3.
☐ Title I, Section 8.
☐ Title II, Section 203
☐ Title II, Section 213 (Individual Mortgage)
☐ Title II, Section 220 (Individual Mortgage)
☐ Title II, Section 221 (Individual Mortgage)
☐ Title II, Section 222
☐ Title VI, Section 603
☐ Title VI, Section 603, pursuant to Section 610.
☐ Title VI, Section 611 (Individual Mortgage)
☐ Title IX, Section 903

Date _____
 Re: FHA Case No. _____
 Our No. _____
 Property address _____
 Mortgagor(s) _____
 Holding mortgagee _____
 Servicing agent _____

1. The payment(s) checked below have NOT been made:

Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.

2. Reason for nonpayment (kindly check predominant reason):

- ☐ Death of principal mortgagor.
☐ Illness of principal mortgagor.
☐ Illness or death in mortgagor's family.
☐ Marital difficulties.
☐ Curtailment of income.
☐ Excessive obligations—same income.
☐ Improper regard for obligations.
☐ Distant employment transfer.
☐ Unsatisfactory property.
☐ Inability to satisfactorily sell or rent property.
☐ Military service.
☐ Miscellaneous, explain: _____

3. Date of previous Notice of Default: (If "none," so indicate) _____

4. Action taken toward Reinstatement: _____

5. Does mortgagee wish the assistance of the local FHA Office in reinstating this case: ☐ Yes ☐ No6. Check applicable status: ☐ Reinstated ☐ Reinstatement expected ☐ DoubtfulFORECLOSURE: ☐ Imminent

☐ Started _____, 19____ Date set for sale _____, 19____
☐ Completed _____, 19____ Redemption period expires _____, 19____

DISPOSITION: ☐ Property will be conveyed in exchange for debentures.
☐ Property will NOT be conveyed in exchange for debentures.

(Name of reporting institution)

By _____
(Signature)

OBSERVE CAREFULLY PROCEDURE FOR REPORTING AS SET FORTH ON REVERSE SIDE

Date of Notice _____
 FHA Case No. _____
 Our No. _____

Receipt of the above-identified Default Notice (Form 2068) is hereby acknowledged

Name and address of institution to
 whom acknowledgment is to be returned.

FEDERAL HOUSING COMMISSIONER

By _____

Date _____

EXHIBIT 8—Continued

REMARKS

PROCEDURE FOR REPORTING DEFAULTS

(It is important that the notice be completely executed)

Case NOT
in
FORECLOSURE

Submit
ORIGINAL
only

1. Submit Form 2068 to Insuring Office of the Federal Housing Administration for area in which subject mortgage security is located when three (3) monthly installments are in default in accordance with the following illustrative case:

Payment due September 1 but not paid by October 1. The mortgage is in default on October 1 and, provided the payment is not made in the meantime, a report is due on December 1.

2. Thereafter further reports (Form 2068) are not required unless:
 - A. The account is reinstated;
 - B. Six (6) monthly installments are delinquent in which event a report will be submitted immediately and every sixty (60) days thereafter giving current information concerning monthly installments unpaid and efforts toward reinstatement until the mortgage is current;
 - C. Foreclosure proceedings become imminent irrespective of the number of monthly installments delinquent;

Case IN
FORECLOSURE

Submit
in
DUPLICATE

- D. A foreclosure action is started.
3. No report is required between the reporting of the start of foreclosure and the reporting of completion of such action unless in the meantime the default is cured or the foreclosure action is suspended. If there appears to be unusual delay in completing a foreclosure action, inquiry regarding the situation may be made by the Federal Housing Administration.
4. When foreclosure action is completed, a prompt report should be submitted on Form 2068. At this time, unless a redemption period is involved, the mortgagee shall advise whether or not the property will be tendered to the Commissioner.
5. Where a redemption period ensues, no further report is required until the expiration of the redemption period, at which time the mortgagee shall advise whether or not the property will be tendered to the Commissioner.

SERVICING: All approved mortgagees are required to service insured loans in accordance with acceptable mortgage practices of prudent lending institutions. In the event of default, the mortgagee should be able to contact the mortgagor and otherwise exercise diligence in collecting the amounts due. The holder of the mortgage is responsible to the Commissioner for proper servicing, even though the actual servicing may be performed by an agent of such holder.

This "Notice of Default Status" may be submitted by either the mortgagee or its servicing agent, but should not be submitted by both.

EXHIBIT 9

FHA Form No. 2319
(Revised August 1945)

ATTORNEY'S CERTIFICATE OF TITLE

IN CONNECTION WITH MORTGAGE INSURED BY FEDERAL HOUSING COMMISSIONER
(SEE NOTE BELOW)

To: FEDERAL HOUSING COMMISSIONER

Case No.

THIS CERTIFIES that the undersigned has examined all of the public records relative to real estate titles of the county and State in which the land described in schedule A below is situated, or has examined abstracts of title purporting to reflect the contents of such records relative to said land, which abstracts are deemed sufficiently complete and worthy of confidence, and that said examination began with a well recognized source of good title and covered a period which, in the opinion of the undersigned and in accordance with the practice of competent local title attorneys, is deemed sufficient to establish good title. After such examination it is the opinion of the undersigned that, subject only to the matter shown under schedule B hereof, a good and merchantable fee-simple title to the premises described in schedule A hereof was, at the date of this certificate, indefeasibly vested in:

by deed from
dated 19... Recorded 19...
in book page, of the county records.

SCHEDULE A

Accurate description of the property:

ALL THAT CERTAIN tract or parcel of land, situate, lying, and being in the
of county of State of

A SKETCH OR DIAGRAM should be attached to this Certificate showing location of the property with respect to streets on which the property fronts and nearest adjoining streets, if no survey is available.

NOTE.—This certificate may be executed upon recordation of the mortgage to be insured and should be in addition to the form required by the mortgagee. It should not be sent to the Commissioner unless or until claim is filed, but should be attached to the abstract and is intended to eliminate reexamination of the back title by the attorney who may subsequently certify title in the event of claim under the insurance contract. In such event the subsequent attorney may execute a similar form amended to cover the continuation only.

(OVER)

EXHIBIT 9—Continued

SCHEDULE B

If there are no liens, encumbrances, or objections of the type described, state "none" after each item. Attach riders if necessary.

1. MORTGAGES:

2. MECHANICS' LIENS:

3. JUDGMENTS: (State and Federal, including fines and penalties in criminal proceedings.)

4. ATTACHMENTS:

5. SUITS PENDING OR LIS PENDENS AFFECTING TITLE:

6. BANKRUPTCY PROCEEDINGS: (By or against all parties in chain of title within 10 years last past.)

7. LEASES OR LAND CONTRACTS: (Recorded or known.)

8. PARTY WALL AGREEMENTS, ENCRDACHMENTS, AND EASEMENTS: (Recorded or known.)

9. RESTRICTIVE COVENANTS AND ZONING ORDINANCES: (Show record reference, and indicate any known violation.)

Do they contain reversionary, forfeiture clause, or right of reentry to abate nuisance? If so, has such clause or right been waived or subordinated in favor of mortgagee? Does recorded plat show building-restriction line? If so give details.

10. OIL OR MINERAL RIGHTS:

Do such rights permit injury to surface without payment of adequate damages?

11. ESTATE AND INCOME TAXES: (Federal and State.)

12. CORPORATION OR FRANCHISE TAXES:

13. TAXES: (Including outstanding tax certificates, unredeemed tax sales, estate, income, franchise, unemployment, old-age, and personal-property taxes where liens. Give year, amount, and due date.)

14. SPECIAL ASSESSMENTS: (Show character of improvement, amount, and due dates. If payable in future installments, show amounts and due dates of each installment. Also the date the assessment became a lien.)

15. OTHER LIENS, OBJECTIONS, AND DEFECTS:

This certificate is dated the day of 19....., and the title examination covered the preceding period of years.

Name and address of attorney (type):

Attorney.

EXHIBIT 10

FHA Form No. 2765
(Sec. 8 Title 1; Secs. 203, 403
and individual mortgages under
Secs. 213 and 411)

Form Approved
Budget Bureau No. 62-8738

APPLICATION FOR DEBENTURES AND CERTIFICATE OF CLAIM (SUBMIT IN DUPLICATE)

The Comptroller
Federal Housing Administration
Washington 25, D. C.

Date _____
FHA Case No. _____ and (_____) others
Mortgagor(s) _____
Property Location _____

Sir:

The captioned property has been acquired by the undersigned, and the following data are submitted at this time in support of this application for payment under the contract of mortgage insurance. Title evidence meeting requirements of applicable Administrative Regulations, final accounting data, and any other information required under the applicable Regulations and the National Housing Act will be furnished when requested.

SECTION I - FACTUAL DATA

(If a group submission of 5 or more cases, use schedule on reverse hereof to furnish data called for by Items 1, 2, 3, 4, 8 and 9.)

1. Property is vacant ☐ , or occupied by _____, as tenant, under lease (written ☐ , oral ☐) providing monthly rental of \$ _____.
2. Due date of last complete installment paid _____. (Date on which the last complete monthly installment which was received prior to the institution of foreclosure, or acquisition otherwise, was due. Do not show the date on which payment was received.)
3. Interest collected to _____. (Date to which interest was paid by the installment shown in Item 2 above.)
4. Unpaid principal amount of mortgage after receipt of payment shown in Item 2. \$ _____.
5. Property was acquired by ☐ foreclosure, ☐ otherwise.
6. Date foreclosure proceedings were instituted _____. (Date first legal step was taken, such as filing lis pendens, publication of notice of trustee's sale, etc.)
7. Date property was acquired by mortgagee _____.
8. Amount of any deficiency or claim against mortgagors. \$ _____.
9. Has deficiency judgment been obtained? _____.

SECTION II - ASSIGNMENT OF CLAIM

(This section not applicable if mortgagee does not have a claim or deficiency to assign)

The undersigned, in consideration of this application and for other good and valuable considerations, does hereby sell, assign, transfer, and set over, but without recourse, to Norman P. Mason of Washington, D. C., as Federal Housing Commissioner, his successors and assigns, all right, title and interest of the undersigned in and to any and all claims against the mortgagors identified in the caption hereof, together with any and all other claims which the undersigned may have arising out of the aforesaid mortgage transaction and the foreclosure proceedings thereon.

SECTION III

The undersigned hereby certifies that the statements and information contained herein are true and correct.

Name of Mortgagee	Mortgagee's Authorized Agent
Street Address	Street Address
City and State	City and State
Authorized Signature	Authorized Signature
Official Title	Official Title

EXHIBIT 10—Continued

IMPORTANT NOTE:

Only Schedule should be used to furnish data required by Items 1, 2, 3, 4, 8 and 9 on the reverse side only when offering a group of cases (five or more in the same project) on which foreclosure was installed (or the properties otherwise acquired) as of the same date.

Sheet _____ of _____

FBA Case No.	Tenant's Name (If Vacant So Indicate)	Lease		Monthly Rental Rate	Due Date Of Last Install- ment Paid	Date Interest Collected To	Unpaid Principal Amount of Mortgage	Amount of Claim Or Deficiency Against Mortgagors	Deficiency Judg- ment Obtained	
		Oral	Written						Yes	No
1	2	3	4	5	6	7	8	9	10	11

(Use Continuation Sheet, If Required)

FHA Form 2766
Revised 2/57

THIS IS TO CERTIFY THAT THE INFORMATION FURNISHED HEREIN HAS BEEN OBTAINED FROM RELIABLE SOURCES AND THAT IT INCLUDES ALL TAXES, GROUND RENTS, SPECIAL ASSESSMENTS AND WATER RATES KNOWN AND PAYABLE BY THE PROPERTY LISTED AND DESCRIBED BELOW OR WOULD BECOME LIENS IF UNPAID.

IN APPLIES TO THE FOLLOWING CASES:-

IN APPLIES TO THE FOLLOWING CASES:		FOR THE MORTGAGEE						
NO. AND STREET	TAX YEAR	AMOUNT LAST PAID FOR CITY TAX	AMOUNT LAST PAID FOR COUNTY TAX	AMOUNT LAST PAID FOR STATE TAX	AMOUNT LAST PAID FOR SPEC. ASSEMTS.	DATE LAST PAID	DATE PAID TO	

USE CONTINUATION SHEET IF REQUIRED

USE CONTINUATION SHEET IF REQUIRED

REF-A-FHA-Wash., D. C.

EXHIBIT 12

FHA Form No. 2767

Form Approved
Budget Bureau No. 62-RT30

FISCAL DATA IN SUPPORT OF APPLICATION FOR DEBENTURES AND CERTIFICATE OF CLAIM (SUBMIT IN DUPLICATE)

Date _____

The Comptroller
Federal Housing Administration
Washington 25, D. C.

Re: FHA Case No. _____ and (____) others
Mortgagor(s) _____
Property Location _____

Sir:

The following fiscal data are submitted in support of Application for Debentures and Certificate of Claim in connection with conveyance to the Commissioner of title to the real property above described. Schedule A and all required receipts are attached in support hereof. (If this form represents a group submission, Schedules B and C are also attached).

SECTION I - FORECLOSURE OR ACQUISITION COSTS

NOTE: See instructions relative to Section I with respect to inclusion of foreclosure costs in debentures and Certificate of Claim.

A. Necessary Expenses \$.....
B. Reasonable Attorneys Fees _____
Total amount of Foreclosure or Acquisition Costs \$_____

SECTION II - DEBENTURES

A. Unpaid principal balance of mortgage
as at _____ 19____ \$.....
B. Disbursements after date shown in "A"
above for:
1. Mortgage insurance premiums \$.....
2. Taxes, ground rents, special assessments, water rates which were liens prior to the mortgage
3. Hazard insurance premiums
Total mortgage balance and disbursements
(Item A plus Item B) \$_____

Deductions:

C. Funds in escrow as at due date of last complete installment for:

	Monthly Escrow Rate	Balance
1. Mortgage insurance premiums		\$.....
2. Taxes, ground rents, water rates special assessments
3. Hazard insurance premiums		\$.....
D. Net income from the property between the date foreclosure proceedings were instituted (or property otherwise acquired) and the date property was conveyed to the Commissioner - Schedule A attached

E. Other receipts

Date	Source	Amount
_____	Hazard insurance refund	\$.....
_____	
_____	

Total Deductions \$_____

Debenture Claim, exclusive of foreclosure and acquisition costs \$.....

F. Portion of foreclosure or acquisition costs allowable in Debentures (This item need not be completed - See instructions.) \$_____

Total Debenture Claim (This item need not be completed.) \$_____

(over)

EXHIBIT 12—Continued

SECTION III - CERTIFICATE OF CLAIM

- A. Conveyance costs paid \$.....
- B. Any other amount due under the mortgage but not included in Section II

<u>Item</u>	<u>Amount</u>
_____	\$.....
_____
_____
_____
Total of unadjusted (*) Certificate of Claim	\$.....

* This amount will be increased by the inclusion of interest on the mortgage for the period from the date through which paid to the date the property was conveyed to the Commissioner, less the amount of debenture interest accrued at the latter date.

- C. Interest adjustment (to be calculated by FHA):
Mortgage interest @ % from _____
to _____
Less debenture interest @ % from _____
to _____
Amount of Certificate of Claim (Exclusive of foreclosure and acquisition costs) \$.....
- D. Portion of foreclosure or acquisition costs allowable in Certificate of Claim (This item need not be completed - see instructions.) \$.....
- Total Certificate of Claim (This item need not be completed.) \$.....

The undersigned hereby certifies that the statements and information contained herein are correct and true.

Name of Mortgagee	Mortgagee's Authorized Agent
Street Address	Street Address
City and State	City and State
Authorized Signature	Authorized Signature
Official Title	Official Title

FVA Form No. 2767(=)

Form Approved
Budget Bureau No. 03-R730

SCHEDULE A

SUMMARY OF RENTAL ACCOUNTING
(SUBMIT IN DUPLICATE)

The undersigned hereby certifies that this statement represents an accurate accounting of all income and disbursements in connection with the listed properties between the date foreclosure proceedings were instituted or the property otherwise acquired and the date the property was accepted by the Commissioner. Receipts are herewith submitted to cover all disbursements made and an assignment is attached covering the rent due and unpaid.

MORTGAGECORP

EXECUTIVE SUMMARY

CITY

—STYLIS

ATTN:

DATE -

FHA CASE NUMBER	STREET ADDRESS	RENT- AL UNIT	NAME OF TENANT OR VACANT	MONTHLY RENTAL RATE	TOTAL REPTS	DATE			RENTS COVERED BY ASSIGNMENTS			REASONABLE EXPENSES INCURRED IN HANDLING						NET INCOME COL 8 LESS COL 16 COL 16 COL 6
						RENT STARTED	VACAT- ED	PAID THRU	UNPAID	PERIOD COVERED	COMMIT- SION	REPAIRS ETC.	MISC. ITEMS	MISC. ITEMS	TOTAL DEDUCT'S			
																7	8	
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	

(Use Continuation Sheet, If Required)

EXHIBIT 14

FEDERAL HOUSING ADMINISTRATION WASHINGTON 25, D. C.

Instructions for the preparation of FHA Forms 2767, 2767a, 2767b and 2767c, Fiscal Data in Support of Application for Debentures and Certificate of Claim

These instructions, as written, are primarily related to single property submissions, but they apply equally to group submissions of five or more properties in the same project (less than five properties are to be submitted singly) except that in group submissions Schedules A, B and C (FHA Forms 2767a, 2767b and 2767c) should be prepared first and the totals thereon transferred to FHA Form 2767. Attention is called to the fact that the columns on Schedules B and C are keyed to the items on Form 2767 to which the totals thereof are to be transferred. Accordingly, any questions concerning entries in these columns may be resolved by reference to the instructions covering the related item on Form 2767. For example, Column 1 of Schedule B is keyed to Item A of Section I of FHA Form 2767 and the instructions applicable to Item A will also apply to Column 1.

The forms are to be prepared in triplicate and the original and one copy submitted to the FHA. Please note that these forms are not to be prepared or submitted until the property has been conveyed and title accepted by the Commissioner nor until all costs in connection therewith are available for inclusion in the final accounting. A photo copy or transcript of the mortgagee's payment record should be submitted together with these forms.

INSTRUCTIONS

FHA FORM 2767 - SECTION I - FORECLOSURE OR ACQUISITION COSTS

Provision is made in certain Sections of the National Housing Act for the inclusion in debentures, under certain specified conditions, of all or a portion of the foreclosure costs actually paid by the mortgagee. Foreclosure costs not included in debentures are included in the Certificate of Claim. Since the mortgagee will ordinarily not be in possession of sufficient information to make the computation as to the amount, if any, includable in debentures on account of foreclosure costs, this computation will be made by the FHA and the maximum allowable amount will be included in debentures without any necessity of making a claim therefor.

- A. Enter the total of all costs (except attorney's fees) which were necessary to vest title to and possession of the property in the mortgagee. Cost of title evidence furnished the Commissioner should NOT be shown in this Section but should be included in Section III - A as a part of the conveyance costs. (If a group submission, transfer totals from Column 1 of Schedule B.)
- B. Enter the attorney's fees actually paid in connection with foreclosure or acquisition of title otherwise. Do not include attorney's fees paid in connection with transfer of title to the Commissioner. (If a group submission, transfer total from Column 2 of Schedule B.)

ORIGINAL OR PHOTO COPIED RECEIPTS MUST BE SUBMITTED FOR ALL COSTS AND FEES AND AN ITEMIZATION OF THE COSTS MUST ALSO BE SUBMITTED.

FHA FORM 2767 - SECTION II - DEBENTURES

- A. The date to be shown is the due date of the last monthly payment which was completely made (even though made in installments) before the institution of foreclosure proceedings or before acquisition of title otherwise. The amount to be shown is the unpaid principal of the mortgage after crediting that payment. (If a group submission, transfer total from Column 6 of Schedule B and show in the space provided for date in FHA Form 2767, the word "various"; the date called for in Column 7 of Schedule B must be inserted in each instance.)

EXHIBIT 14—Continued

- 2 -

- B. The disbursements to be shown, if any, are those made either from the mortgagee's funds or from escrow funds after the date discussed in A next above. (If a group submission, transfer totals from Columns 9, 15 and 16 of Schedule B.)

Item 2 may include taxes, ground rents, special assessments and water rates which were liens prior to the mortgage, and must exclude any special assessments which were liens prior to insurance, if not noted in the application therefor.

Include in Item 3 payment on account of fire and extended coverage insurance premium but DO NOT include payments relating to other types of insurance such as liability, burglary, vandalism, malicious mischief, etc. Expenditures in connection with these excluded items should be shown under Item B of Section III - Certificate of Claim.

ORIGINAL OR PHOTO COPIED RECEIPTED INVOICES OR TAX BILLS MUST BE SUBMITTED IN SUPPORT OF AMOUNTS SHOWN IN ITEMS 2 AND 3.

Deductions

- C. Enter under the column headed "Monthly Rate", the amounts of escrow deposits which were supposed to be currently collected each month from the mortgagor. Under the column headed "Balance" enter the balances in each escrow account which were on deposit as of the due date of the last complete installment (see Item A of Section II above of these instructions). Do not take into account any funds paid out subsequent to due date of last installment paid, since such disbursements will be entered in Item B of Section II. (If a group submission, enter the totals of Columns 2, 4 and 6 of Schedule C - Columns 1, 3 and 5 relating to monthly rates need not be transferred.)

SPECIAL NOTE: The escrow balances shown must be the balances on hand after crediting any delinquent installment payments received prior to institution of foreclosure proceedings, excluding from the calculation any disbursements subsequent to the due date of the last installment paid. As an example, suppose a case in which deposits for taxes at the rate of \$12.50 per month totaled \$137.50 after the January 1 installment was paid. The February 1 installment was not paid until July 10, but, in the meantime, on February 15 taxes in the amount of \$143.00 were paid, \$137.50 out of escrow funds and \$5.50 as an advance. In reporting the escrow deposits for taxes as at February 1, \$150.00 must be shown. The figure \$143.00 also would be shown under Item B 2 of this Section.

- D. Obtain this amount from Column 17 of Schedule A (FHA Form 2767a), Summary of Rental Accounting. See instructions hereinafter included for the preparation of Schedule A.
- E. List in the spaces provided, giving dates, any other receipts, including, but not limited to,
1. Any partial payments on account of the mortgage which were received prior to the institution of foreclosure proceedings, or acquisition of the property otherwise, but not credited as a full installment.
 2. Any amounts received after the institution of foreclosure proceedings, or acquisition of the property otherwise, including unearned premiums received or due as a result of the cancellation of hazard insurance policies. (If no return premiums are due from cancelled hazard insurance policies, so state.)

(If a group submission, the amounts for items 1 and 2 should be transferred from Columns 7, 8 and 9 of Schedule C.)

EXHIBIT 14--Continued

- 3 -

- F. As discussed in these instructions as they pertain to Section I, the portion of foreclosure or acquisition costs allowable in debentures will be calculated by the FHA and added to the claim.

FHA FORM 2767 - SECTION III - CERTIFICATE OF CLAIM

- A. Conveyance costs to be shown are those costs incident to transfer of title to the Commissioner. Conveyance costs may include the cost of furnishing title evidence to the Commissioner, revenue stamps, the cost of recording the deed to the Commissioner, etc. THESE COSTS MUST BE ITEMIZED AND ORIGINAL OR PHOTO COPIED RECEIPTS FURNISHED. (If a group submission, transfer total from Column 13 of Schedule C.)
- B. There may be entered here the total of any other amounts due under the mortgage, but not included in the application for debentures. Examples are expenditures for liability insurance, special assessments and water rates not allowable in debentures. Also, the total, if any, of Column 18 should be transferred from Schedule A (FHA Form 2767a). RECEIPTS MUST BE FURNISHED IN SUPPORT OF EXPENDITURES SHOWN IN COLUMNS 12 THROUGH 15 IN SCHEDULE A (FHA FORM 2767a). (If a group submission, also transfer any totals from Columns 14, 15 and 16 of Schedule C.)
- C. This item may be left blank as calculations will be made by the FHA.
- D. As discussed in these instructions as they pertain to Section I, the portion of foreclosure or acquisition costs allowable in Certificate of Claim will be calculated by the FHA and added to the Certificate of Claim.

Complete the form by showing the name of the institution to which settlement is to be made exactly as that name is to be shown in the debentures.

FHA FORM 2767a - SCHEDULE A - SUMMARY OF RENTAL ACCOUNTING

This form must be completed and submitted in all cases where the property (or properties) was occupied (whether or not rental collections were made) and in all other cases where expenditures were made on the property. The form is to cover the period from the institution of foreclosure or acquisition of the property otherwise to the date the Commissioner accepted title. If a group submission is involved, the cases should be listed in numerical order.

In preparing Schedule A, please bear in mind that the gross potential rent for each unit must be accounted for either by showing a tenant in occupancy or by showing the unit vacant; also, that the data is shown to be in such manner as to reconcile the amounts that were due from each tenant or former tenant and that the net income for each insured case may be determined.

The following instructions are applicable to particular columns of Schedule A (FHA Form 2767a):

- Column 3 In the case of single-family properties, this Column need not be completed. In all other cases information must be furnished separately for each apartment or unit, and such apartment or unit should be identified in this Column.
- Column 5 If the rental rate was changed during a tenant's occupancy, show the original rate in Column 5 and the period during which that rate was in effect in Columns 7 and 9. Then show the new rate in Column 5 and the period during which it was in effect in Column 7 and Columns 8 or 9, whichever is applicable.
- Column 9 Show the date through which the tenant's rent was paid by calculating rent at the rate or rates shown in Column 5 against the total rental paid as shown in Column 6.

EXHIBIT 14--Continued

- 4 -

Column 10 This column is to be used to report the amount of rents in arrears, if any. It should show an amount equal to the daily rental rate multiplied by the number of days from the date shown in Column 9 to the date shown in Column 8, or the date the property was accepted by the Commissioner.

If any amount is shown in Column 10, show in Column 11 the period for which rent is due and forward an assignment of the right to collect such rent.

Columns 12 thru 15 Any expense incurred in handling the property during the period will be shown in these columns except taxes, water rates which may become liens against the property, and hazard insurance. These excepted expenditures should be shown in Item B - Section II of FHA Form 2767.

NOTE: When the properties tendered are being operated as a project, care should be exercised to identify those expenses directly chargeable to a specific case although general expenses may be prorated to the various cases. In general, these expenses should be prorated equally among the number of properties in connection with which the expense is incurred. For example, such general expenses as advertising for tenants, public liability insurance, etc., will be prorated to all properties in the project, while the salary of a janitor hired to maintain only rented properties will be prorated only to rented properties.

RECEIPTS OR PHOTO COPIES THEREOF TO SUPPORT ALL EXPENDITURES SHOWN MUST BE SUBMITTED WITH SCHEDULE A. The receipts should be identified by the FHA case numbers. If the expense shown on the receipt applies to more than one case the respective cases and amounts applicable should be indicated thereon.

* * * * *

General Information

Debentures are issued in denominations of \$50, \$100, \$500, \$1,000, \$5,000 and \$10,000. Unless stipulated otherwise the largest possible denominations will be issued in settlement; any odd amounts are paid by check.

Debentures are dated as of the institution of foreclosure proceedings or acquisition of the property otherwise. Debenture interest is paid semi-annually each January 1 and July 1. Interest accrued for the period from the date of debentures to the January 1 or July 1 prior to issuance will be forwarded within 15 days following the date of issuance.

**CHECK SHEET FOR USE IN FILING CLAIM FOR DEBENTURES
CONVEYANCE OF HOME MORTGAGE PROPERTY**

The detailed instructions should be followed in preparing your claim and this check sheet is designed to serve only as a guide to mortgagees in properly submitting the supporting data in connection with a claim for debentures on FHA Form 2767. The Federal Housing Administration is anxious to settle all claims for debentures as soon as possible, and every effort is made to do so. You can help in the prompt settlement of your claim by being certain that all forms are properly completed, and the ledger records and all supporting paid receipts are furnished. If the submission is incomplete, it will require correspondence and will result in a delay in the issuance of debentures. If the questions listed below can be answered in the affirmative, it will aid in the expeditious settlement of your claim. The use of this form is optional with the mortgagee.

- ☐ Has a photo copy or a transcript of the mortgage ledger record been furnished? This will materially aid in the prompt issuance of debentures.

Section I -- Foreclosure or Acquisition Costs

- ☐ Have paid receipts been submitted for all foreclosure costs, attorney's fees, etc.? Have these costs been itemized? Where the costs of revenue stamps are not supported by paid receipts, has the amount thereof been included in the itemization?
- ☐ Conveyance costs should be included under Section III - A. Have they been excluded from this Section? Items not allowable as foreclosure and acquisition costs are as follows:
- (a) Cost of conveying title to the Commissioner, including recording the deed and revenue stamps on the deed to the Commissioner.
 - (b) Cost of title evidence furnished the Commissioner, including the cost of evidence showing title in the mortgagee.

Section II -- Debentures

- A ☐ Is this the date the payment was due, and does it represent unpaid principal of the mortgage only? Has any partial payment been excluded in determining the unpaid balance? (Any amount less than a complete monthly payment should be shown in item E.)
- B ☐ Are these disbursements all of the payments made from either escrow or the mortgagee's fund after the due date of the last principal payment?
- ☐ Have paid receipts been furnished for all payments made (either from escrow or advanced by you) after the due date of the last complete installment, covering taxes and hazard insurance?
- C ☐ Are the balances of escrow accounts the balances after receipt of the last complete installment but not reduced by any disbursements shown in II B of the form?
- D ☐ Has Schedule A been completed in all details and an assignment of unpaid rents (as of the date of conveyance) been furnished the Commissioner? Have paid receipts been furnished covering all repairs, etc.?
- E ☐ Has the full amount of return premium from canceled hazard insurance policies been shown? Are all partial payments included in this item?

Section III -- Certificate of Claim

- A ☐ Does this include all conveyance costs? Have itemized receipts been attached covering all these disbursements? Have all items been itemized? Where the cost of revenue stamps on the deed to the FHA Commissioner are not supported by receipts, has the amount thereof been included in the itemization?
- B ☐ Have paid receipts been furnished for all disbursements shown?

EXHIBIT 15
CHART OF DEBENTURES

TITLE I—SECTION 8
Title I—Housing Insurance Fund

Effective date	Interest rate (per-cent)	Date of debentures	Maturity date	Redemption provisions	Tax provisions	Deben-ture series
Mortgages endorsed prior to Mar. 23, 1953.....	2½	Date foreclosure proceedings instituted or property otherwise acquired by mortgagee.	3 years after July 1 following maturity date of mortgage on property in exchange for which debentures were issued.	Callable July 1 or Jan. 1 on 3 months' notice.	(3)	L
Mortgages endorsed on or after Mar. 23, 1953 and prior to July 8, 1953.	2½	do.....	do.....	do.....	(3)	R
Mortgages endorsed on or after July 8, 1953 and pursuant to commitments issued prior to May 29, 1954.	3	do.....	do.....	do.....	(3)	T
Mortgages endorsed pursuant to commitments issued on or after May 29, 1954.	2½	do.....	do.....	do.....	(3)	R

TITLE II—SECTION 263
Mutual Mortgage Insurance Fund

Effective date	Interest rate (per-cent)	Date of debentures	Maturity date	Redemption provisions	Tax provisions	Deben-ture series (5)
Commitments issued to Feb. 14, 1938.....	3	Date foreclosure proceedings instituted or property otherwise acquired by mortgagee.	3 years after July 1 following maturity date of mortgage on property in exchange for which debentures were issued.	Noncallable.....	(1)	A
Commitments issued Feb. 15, 1938, to Feb. 28 1941.	2¾	do.....	do.....	Callable July 1 or Jan. 1 on 3 months' notice.	(2)	B
Applications received after Mar. 1, 1941, and prior to May 15, 1950.	2¾	do.....	do.....	do.....	(3)	(E) AA
Applications received on or after May 15, 1950, and endorsed prior to Mar. 23, 1953.	2½	do.....	do.....	do.....	(2)	(K) AA
Mortgages endorsed on or after Mar. 23, 1953, and prior to July 8, 1953.	2¾	do.....	do.....	do.....	(3)	(E) AA
Mortgages endorsed on or after July 8, 1953, and pursuant to commitments issued prior to May 29, 1954.	3	do.....	do.....	do.....	(3)	(U) AA
Commitments issued on or after May 29, 1954, and prior to Aug. 2, 1954.	2¾	do.....	do.....	do.....	(3)	(E) AA
Commitments issued on or after Aug. 2, 1954, and prior to Sept. 1, 1954.	2¾	do.....	20 years.....	do.....	(3)	(U) AA
Commitments issued on or after Sept. 1, 1954, and endorsed prior to Jan. 1, 1955.	2½	do.....	do.....	do.....	(3)	(K) AA
Commitments issued on or after Sept. 1, 1954, and endorsed on or after Jan. 1, 1955, and prior to July 1, 1955.	2¾	do.....	do.....	do.....	(3)	AA
Commitments issued on or after Aug. 2, 1954, and endorsed on or after July 1, 1955, and prior to July 1, 1956.	2¾	do.....	do.....	do.....	(3)	AA
Commitments issued on or after July 1, 1956, and endorsed on or after July 1, 1956, and prior to Jan. 1, 1957.	3	do.....	do.....	do.....	(3)	AA
Mortgages endorsed on or after Jan. 1, 1957.....	3¾	do.....	do.....	do.....	(3)	AA

TITLE II—SECTION 267
Housing Insurance Fund

Effective date	Interest rate (per-cent)	Date of debentures	Maturity date	Redemption provisions	Tax provisions	Deben-ture series (6)
Commitments issued to Feb. 14, 1938.....	3	Date foreclosure proceedings instituted or property otherwise acquired by mortgagee.	3 years after July 1 following maturity date of mortgage on property in exchange for which debentures were issued if issued prior to Sept. 1, 1951. 20 years after date if issued on or after Sept. 1, 1951. 10 years after date if issued on or after July 1, 1953.	Noncallable.....	(1)	A
Commitments issued Feb. 15, 1938, to Feb. 28, 1941.	2¾	Date mortgage assigned to Commissioner or date foreclosure proceedings instituted or property otherwise acquired by mortgagee.	do.....	Callable July 1 or Jan. 1 on 3 months' notice.	(2)	D
Commitments issued Mar. 1, 1941, and prior to Apr. 20, 1950.	2¾	do.....	do.....	do.....	(3)	(F) BB
Commitments issued on or after Apr. 20, 1950, and endorsed prior to Mar. 23, 1953.	2½	Date of default.....	do.....	do.....	(3)	(M) BB
Mortgages endorsed on or after Mar. 23, 1953, and pursuant to commitments issued prior to May 29, 1954.	2¾	do.....	20 years after date if issued on or after Sept. 1, 1951. 10 years after date if issued on or after July 1, 1953.	do.....	(3)	(F) BB
Commitments issued on or after May 29, 1954, and prior to Aug. 2, 1954.	2½	do.....	10 years.....	do.....	(3)	(M) BB
Commitments issued on or after Aug. 2, 1954, and endorsed prior to Jan. 1, 1955.	2½	do.....	20 years.....	do.....	(3)	(M) BB
Mortgages endorsed on or after Jan. 1, 1955, and prior to July 1, 1955.	2¾	do.....	do.....	do.....	(3)	BB
Mortgages endorsed on or after July 1, 1955, and prior to July 1, 1956.	2¾	do.....	do.....	do.....	(3)	BB
Mortgages endorsed on or after July 1, 1956, and prior to Jan. 1, 1957.	3	do.....	do.....	do.....	(3)	BB
Mortgages endorsed on or after Jan. 1, 1957.....	3¾	do.....	do.....	do.....	(3)	BB

For footnotes see p. 65.

CHART OF DEBENTURES—Continued

TITLE II—SECTION 213

Housing Insurance Fund

(Individual Mortgages)

Effective date	Interest rate (per cent)	Date of debentures	Maturity date	Redemption provisions	Tax provisions	Debenture series (d)
Mortgages endorsed prior to Mar. 23, 1953.....	2½	Date foreclosure proceedings instituted or property otherwise acquired by mortgagee.	20 years after date.....	Callable July 1 or Jan. 1 on 3 months' notice.	(3)	(Q) BB
Mortgages endorsed on or after Mar. 23, 1953, and prior to July 8, 1953.	2¾	do.....	do.....	do.....	(3)	(S) BB
Mortgages endorsed on or after July 8, 1953, and pursuant to commitments issued prior to May 20, 1954.	3	do.....	do.....	do.....	(3)	(V) BB
Commitments issued on or after May 20, 1954, and prior to Sept. 1, 1954.	2¾	do.....	do.....	do.....	(3)	(S) BB
Commitments issued on or after Sept. 1, 1954, and endorsed prior to Jan. 1, 1955.	2½	do.....	do.....	do.....	(3)	(Q) BB
Commitments issued on or after Sept. 1, 1954, and endorsed on or after Jan. 1, 1955, and prior to July 1, 1955.	2½	do.....	do.....	do.....	(3)	BB
Commitments issued on or after May 20, 1954, and endorsed on or after July 1, 1955, and prior to July 1, 1956.	2½	do.....	do.....	do.....	(3)	BB
Mortgages endorsed on or after July 1, 1956, and prior to Jan. 1, 1957.	3	do.....	do.....	do.....	(3)	BB
Mortgages endorsed on or after Jan. 1, 1957.....	3¼	do.....	do.....	do.....	(3)	BB

(Project Mortgages)

Effective date	Interest rate (per cent)	Date of debentures	Maturity date	Redemption provisions	Tax provisions	Debenture series (d)
Mortgages endorsed prior to Mar. 23, 1953.....	2½	Date of default.....	20 years after date if issued prior to July 1, 1953. 10 years after date if issued on or after July 1, 1953.	Callable July 1 or Jan. 1 on 3 months' notice.	(3)	(Q) BB
Mortgages endorsed on or after Mar. 23, 1953, and pursuant to commitments issued prior to May 20, 1954.	2¾	do.....	do.....	do.....	(3)	(S) BB
Commitments issued on or after May 20, 1954, and prior to Aug. 2, 1954.	2½	do.....	do.....	do.....	(3)	(Q) BB
Commitments issued on or after Aug. 2, 1954, and endorsed prior to Jan. 1, 1955.	2½	do.....	20 years.....	do.....	(3)	(Q) BB
Mortgages endorsed on or after Jan. 1, 1955, and prior to July 1, 1955.	2½	do.....	do.....	do.....	(3)	BB
Mortgages endorsed on or after July 1, 1955, and prior to July 1, 1956.	2½	do.....	do.....	do.....	(3)	BB
Mortgages endorsed on or after July 1, 1956, and prior to Jan. 1, 1957.	3	do.....	do.....	do.....	(3)	BB
Mortgages endorsed on or after Jan. 1, 1957.....	3¼	do.....	do.....	do.....	(3)	BB

TITLE II—SECTION 220

Section 220 Housing Insurance Fund

(Individual Mortgages)

Effective date	Interest rate (per cent)	Date of debentures	Maturity date	Redemption provisions	Tax provisions	Debenture series
Commitments issued on or after Oct. 15, 1954, and endorsed prior to Jan. 1, 1955.	2½	Date foreclosure proceedings instituted or property otherwise acquired by mortgagee.	20 years after date.....	Callable July 1 or Jan. 1 on 3 months' notice.	(3)	CC
Mortgages endorsed on or after Jan. 1, 1955, and prior to July 1, 1955.	2½	do.....	do.....	do.....	(3)	CC
Mortgages endorsed on or after July 1, 1955, and prior to July 1, 1956.	2½	do.....	do.....	do.....	(3)	CC
Mortgages endorsed on or after July 1, 1956, and prior to Jan. 1, 1957.	3	do.....	do.....	do.....	(3)	CC
Mortgages endorsed on or after Jan. 1, 1957.....	3¼	do.....	do.....	do.....	(3)	CC

(Project Mortgages)

Effective date	Interest rate (per cent)	Date of debentures	Maturity date	Redemption provisions	Tax provisions	Debenture series
Commitments issued on or after Oct. 15, 1954, and endorsed prior to Jan. 1, 1955.	2½	Date of default.....	20 years after date.....	Callable July 1 or Jan. 1 on 3 months' notice.	(3)	CC
Mortgages endorsed on or after Jan. 1, 1955, and prior to July 1, 1955.	2½	do.....	do.....	do.....	(3)	CC
Mortgages endorsed on or after July 1, 1955, and prior to July 1, 1956.	2½	do.....	do.....	do.....	(3)	CC
Mortgages endorsed on or after July 1, 1956, and prior to Jan. 1, 1957.	3	do.....	do.....	do.....	(3)	CC
Mortgages endorsed on or after Jan. 1, 1957.....	3¼	do.....	do.....	do.....	(3)	CC

For footnotes see p. 65.

CHART OF DEBENTURES—Continued

TITLE II—SECTION 221

Section 221 Housing Insurance Fund

(Individual Mortgages)

Effective date	Interest rate (per cent)	Date of debentures	Maturity date	Redemption provisions	Tax provisions	Debenture series
Commitments issued on or after Oct. 15, 1954, and endorsed prior to Jan. 1, 1955.	2½	Date foreclosure proceedings instituted or property otherwise acquired by mortgagee.	20 years after date	Callable July 1 or Jan. 1 on 3 months' notice.	(2)	DD
Mortgages endorsed on or after Jan. 1, 1955, and prior to July 1, 1955.	2½	do.	do.	do.	(2)	DD
Mortgages endorsed on or after July 1, 1955, and prior to July 1, 1956.	2½	do.	do.	do.	(2)	DD
Mortgages endorsed on or after July 1, 1956, and prior to Jan. 1, 1957.	3	do.	do.	do.	(2)	DD
Mortgages endorsed on or after Jan. 1, 1957.	3½	do.	do.	do.	(2)	DD
Any mortgage insured under this section is not in default at expiration of 20 years from the date of endorsement, the mortgagee has the option to assign the mortgage to the Commissioner in exchange for debentures.	(4)	Date of assignment	10 years after date	do.	(2)	DD
				do.	(2)	DD

(Project Mortgages)

Effective date	Interest rate (per cent)	Date of debentures	Maturity date	Redemption provisions	Tax provisions	Debenture series
Commitments issued on or after Oct. 15, 1954, and endorsed prior to Jan. 1, 1955.	2½	Date of default	20 years after date	Callable July 1 or Jan. 1 on 3 months' notice.	(2)	DD
Mortgages endorsed on or after Jan. 1, 1955, and prior to July 1, 1955.	2½	do.	do.	do.	(2)	DD
Mortgages endorsed on or after July 1, 1955, and prior to July 1, 1956.	2½	do.	do.	do.	(2)	DD
Mortgages endorsed on or after July 1, 1956, and prior to Jan. 1, 1957.	3	do.	do.	do.	(2)	DD
Mortgages endorsed on or after Jan. 1, 1957.	3½	do.	do.	do.	(2)	DD
Any mortgage insured under this section is not in default at the expiration of 20 years from the date of endorsement, the mortgagee has the option to assign the mortgage to the Commissioner in exchange for debentures.	(4)	Date of assignment	10 years after date	do.	(2)	DD
				do.	(2)	DD

TITLE II—SECTION 222

Servicemen's Mortgage Insurance Fund

Effective date	Interest rate (per cent)	Date of debentures	Maturity date	Redemption provisions	Tax provisions	Debenture series
Commitments issued on or after Nov. 5, 1954, and endorsed prior to Jan. 1, 1955.	2½	Date foreclosure proceedings instituted or property otherwise acquired by mortgagee.	20 years after date	Callable July 1 or Jan. 1 on 3 months' notice.	(2)	EE
Mortgages endorsed on or after Jan. 1, 1955, and prior to July 1, 1955.	2½	do.	do.	do.	(2)	EE
Mortgages endorsed on or after July 1, 1955, and prior to July 1, 1956.	2½	do.	do.	do.	(2)	EE
Mortgages endorsed on or after July 1, 1956, and prior to Jan. 1, 1957.	3	do.	do.	do.	(2)	EE
Mortgages endorsed on or after Jan. 1, 1957.	3½	do.	do.	do.	(2)	EE

TITLE VI—SECTION 603

War Housing Insurance Fund

Effective date	Interest rate (per cent)	Date of debentures	Maturity date	Redemption provisions	Tax provisions	Debenture series
Commitments issued Mar. 28, 1941, to May 25, 1942.	2¾	Date foreclosure proceedings instituted or property otherwise acquired by mortgagee.	3 years after July 1 following maturity date of mortgage on property in exchange for which debentures were issued or mortgagee may elect to take Series H.	Callable July 1 or Jan. 1 on 3 months' notice.	(2)	G
Commitments issued on or after May 26, 1942.	2½	do.	10 years after date	do.	(2)	H
Mortgages endorsed on or after July 8, 1953, and pursuant to commitments issued prior to May 20, 1954.	2¾	do.	do.	do.	(2)	W
Commitments issued on or after May 20, 1954.	2½	do.	do.	do.	(2)	H

For footnotes see p. 65.

CHART OF DEBENTURES—Continued

TITLE VI—SECTION 608

War Housing Insurance Fund

Effective date	Interest rate (per-cent)	Date of debentures	Maturity date	Redemption provisions	Tax provisions	Deben- ture series
Mortgages endorsed prior to July 8, 1953.....	2½	Date of default.....	10 years after date.....	Callable July 1 or Jan. 1 on 3 months' notice. do.....	(3)	H
Mortgages endorsed on or after July 8, 1953, and pursuant to commitments issued prior to May 29, 1954.	2¾	do.....	do.....	do.....	(3)	W
Commitments issued on or after May 29, 1954....	2½	do.....	do.....	do.....	(3)	H

TITLE VI—SECTION 611

War Housing Insurance Fund

(Individual Mortgages)

Effective date	Interest rate (per-cent)	Date of debentures	Maturity date	Redemption provisions	Tax provisions	Deben- ture series
Mortgages endorsed prior to July 8, 1953.....	2½	Date foreclosure proceedings instituted or property otherwise acquired by mortgagee.	10 years after date.....	Callable July 1 or Jan. 1 on 3 months' notice. do.....	(3)	H
Mortgages endorsed on or after July 8, 1953, and pursuant to commitments issued prior to May 29, 1954.	2¾	do.....	do.....	do.....	(3)	W
Commitments issued on or after May 29, 1954....	2½	do.....	do.....	do.....	(3)	H

(Project Mortgages)

Effective date	Interest rate (per-cent)	Date of debentures	Maturity date	Redemption provisions	Tax provisions	Deben- ture series
Mortgages endorsed prior to July 8, 1953.....	2½	Date of default.....	10 years after date.....	Callable July 1 or Jan. 1 on 3 months' notice. do.....	(3)	H
Mortgages endorsed on or after July 8, 1953, and pursuant to commitments issued prior to May 29, 1954.	2¾	do.....	do.....	do.....	(3)	W
Commitments issued on or after May 29, 1954....	2½	do.....	do.....	do.....	(3)	H

TITLE VII

Housing Investment Insurance Fund

Effective date	Interest rate (per-cent)	Date of debentures	Maturity date	Redemption provisions	Tax provisions	Deben- ture series
None applicable.....	2¾	First day of operating year in which project was acquired by the Commissioner.	July 1 of the 20th year following date of issuance.	Callable July 1 or Jan. 1 on 3 months' notice.		

For footnotes see p. 65.

CHART OF DEBENTURES—Continued
TITLE VIII—SECTION 803
Armed Services Housing Mortgage Insurance Fund

Effective date	Interest rate (per-cent)	Date of debentures	Maturity date	Redemption provisions	Tax provisions	Deben-ture series (5)
Mortgages endorsed prior to July 8, 1953.....	2½	Date of default.....	10 years after date.....	Callable July 1 or Jan. 1 on 3 months' notice.	(9)	(N) FF
Mortgages endorsed on or after July 8, 1953, and pursuant to commitments issued prior to May 20, 1954.	2¾	do.....	do.....	do.....	(9)	(X) FF
Commitments issued on or after May 20, 1954, and prior to Aug. 2, 1954.	2½	do.....	do.....	do.....	(9)	(N) FF
Commitments issued on or after Aug. 2, 1954, and endorsed prior to Jan. 1, 1955.	2½	do.....	20 years after date.....	do.....	(9)	(N) FF
Mortgages endorsed on or after Jan. 1, 1955, and prior to July 1, 1955.	2¾	do.....	do.....	do.....	(9)	FF
Mortgages endorsed on or after July 1, 1955, and prior to July 1, 1956.	2¾	do.....	do.....	do.....	(9)	FF
Mortgages endorsed on or after July 1, 1956, and prior to Jan. 1, 1957.	3	do.....	do.....	do.....	(9)	FF
Mortgages endorsed on or after Jan. 1, 1957.....	3¼	do.....	do.....	do.....	(9)	FF

TITLE VIII—SECTION 809
Armed Services Housing Mortgage Insurance Fund

Effective date	Interest rate (per-cent)	Date of debentures	Maturity date	Redemption provisions	Tax provisions	Deben-ture series
Mortgages endorsed prior to July 1, 1956.....	2¾	Date foreclosure proceedings instituted or property otherwise acquired by mortgagee.	20 years.....	Callable July 1 or Jan. 1 on 3 months' notice.	(9)	FF
Mortgages endorsed on or after July 1, 1956, and prior to Jan. 1, 1957.	3	do.....	do.....	do.....	(9)	FF
Mortgages endorsed on or after Jan. 1, 1957.....	3¼	do.....	do.....	do.....	(9)	FF

TITLE IX—SECTION 903
National Defense Housing Insurance Fund

Effective date	Interest rate (per-cent)	Date of debentures	Maturity date	Redemption provisions	Tax provisions	Deben-ture series (5)
Mortgages endorsed prior to July 8, 1953.....	2½	Date foreclosure proceedings instituted or property otherwise acquired by mortgagee.	10 years after date.....	Callable July 1 or Jan. 1 on 3 months' notice.	(9)	(P) GG
Mortgages endorsed on or after July 8, 1953, and pursuant to commitments issued prior to May 20, 1954.	2¾	do.....	do.....	do.....	(9)	(Y) GG
Commitments issued on or after May 20, 1954, and prior to Aug. 2, 1954.	2½	do.....	do.....	do.....	(9)	(P) GG
Commitments issued on or after Aug. 2, 1954, and endorsed prior to Jan. 1, 1955.	2½	do.....	20 years after date.....	do.....	(9)	(P) GG
Mortgages endorsed on or after Jan. 1, 1955, and prior to July 1, 1955.	2¾	do.....	do.....	do.....	(9)	GG
Mortgages endorsed on or after July 1, 1955, and prior to July 1, 1956.	2¾	do.....	do.....	do.....	(9)	GG
Mortgages endorsed on or after July 1, 1956, and prior to Jan. 1, 1957.	3	do.....	do.....	do.....	(9)	GG
Mortgages endorsed on or after Jan. 1, 1957.....	3¼	do.....	do.....	do.....	(9)	GG

TITLE IX—SECTION 908
National Defense Housing Insurance Fund

Effective date	Interest rate (per-cent)	Date of debentures	Maturity date	Redemption provisions	Tax provisions	Deben-ture series (5)
Mortgages endorsed prior to July 8, 1953.....	2½	Date of Default.....	10 years after date.....	Callable July 1 or Jan. 1 on 3 months' notice.	(9)	(P) GG
Mortgages endorsed on or after July 8, 1953, and pursuant to commitments issued prior to May 20, 1954.	2¾	do.....	do.....	do.....	(9)	(Y) GG
Commitments issued on or after May 20, 1954, and prior to Aug. 2, 1954.	2½	do.....	do.....	do.....	(9)	(P) GG
Commitments issued on or after Aug. 2, 1954, and endorsed prior to Jan. 1, 1955.	2½	do.....	20 years after date.....	do.....	(9)	(P) GG
Mortgages endorsed on or after Jan. 1, 1955, and prior to July 1, 1955.	2¾	do.....	do.....	do.....	(9)	GG
Mortgages endorsed on or after July 1, 1955, and prior to July 1, 1956.	2¾	do.....	do.....	do.....	(9)	GG
Mortgages endorsed on or after July 1, 1956, and prior to Jan. 1, 1957.	3	do.....	do.....	do.....	(9)	GG
Mortgages endorsed on or after Jan. 1, 1957.....	3¼	do.....	do.....	do.....	(9)	GG

Series A debentures are subject only to such Federal, State, and local taxes as the mortgages in exchange for which they were issued would be subject in the hands of the holder of the debentures.

Series B and D debentures are exempt both as to principal and interest from all taxation (except surtaxes, estate, inheritance and gift taxes) now or hereafter imposed by the United States, by any territory, dependency, or possession thereof, or by any State, county, municipality, or local taxing authority.

The Public Debt Act of 1941, effective Mar. 1, 1941 (55 Stat. 7), in effect amended the National Housing Act by the elimination of Federal tax exemption from debentures issued in connection with contracts of insurance entered into pursuant to commitments issued on or after Mar. 1, 1941. Mortgages insured prior to Mar. 1, 1941 or prior to commitments issued prior to such date are not affected by the Public Debt Act of 1941. The Public Debt Act did not affect debentures with respect to exemptions from State or local taxes and debentures are exempt both as to principal and interest, from all taxation (except surtaxes, estate, inheritance and gift taxes) now or hereafter imposed by any territory, dependency, or possession of the United States, or by the District of Columbia, or by any State, county, municipality, or local taxing authority.

The interest rate is the going Federal rate determined at the time of issuance.

The series in parentheses are those issued prior to the adoption of the double-lettered series as explained in paragraph 1130.

EXHIBIT 16
RESOLUTION AUTHORIZING OFFICERS OF A CORPORATION
OR UNINCORPORATED ASSOCIATION TO ASSIGN AND DISPOSE
OF REGISTERED SECURITIES GENERALLY

IMPORTANT - Be sure to follow the instructions on the back in filling out this form.

RESOLVED, That _____

(Titles, or names and titles, of officers)

_____ { is hereby authorized
are hereby jointly and severally authorized
to assign and sell or otherwise dispose of any and all registered United States securities or securities for which the
Treasury Department acts as transfer agency now or hereafter owned by this { ☐ corporation,
and for such purpose to appoint one or more attorneys in fact with authority in turn to appoint one or more substitutes.
☐ unincorporated association,

IT IS FURTHER RESOLVED, That any and all action as authorized herein previously taken by the above-listed officers is hereby ratified.

I HEREBY CERTIFY that the foregoing is a true copy of a resolution adopted at a _____ (Regular or special)
meeting of the _____, the governing body of

(Complete name of corporation or unincorporated association)
held on the _____ day of _____, 19____, at _____.
I further certify that due notice of said meeting was given, that a quorum was present, and that the resolution was duly adopted and is in full force.

Dated this _____ day of _____, 19____.

[SEAL OF ORGANIZATION.
IF NONE, HAVE THE FORM
BELOW COMPLETED.]

(Signature and title of officer)

(Additional signature and title, if necessary, See Instruction 3)

(THE FORM BELOW MUST BE COMPLETED IF THE ORGANIZATION HAS NO SEAL)

Subscribed and sworn to before me, the day, month and year last above written, at _____,
County of _____, State of _____, by the above-named persons as
described, whose identities are well known or proved to me.

[SEAL]

(Signature and designation of notary public or similar officer)

My commission expires _____.

EXHIBIT 17

RESOLUTION AUTHORIZING OFFICERS OF A CORPORATION
OR AN UNINCORPORATED ASSOCIATION TO ASSIGN AND DISPOSE
OF SPECIFIED REGISTERED SECURITIES

IMPORTANT - Be sure to follow the instructions on the back in filling out this form.

RESOLVED, That _____

(Titles, or names and titles, of officers)

_____ is hereby authorized
_____ are hereby jointly and severally authorized
to assign and sell or otherwise dispose of the following-described registered United States securities, or securities for
which the Treasury Department acts as transfer agency owned by this ☐ corporation,
and for such purpose to appoint one or more attorneys in fact with authority in turn to appoint one or more substitutes; ☐ unincorporated association;

LOAN TITLE (Include interest rate, call and maturity dates)	DENOMINATION	SERIAL NUMBER	REGISTRATION (Exact inscription on each security)

(If space is insufficient additional securities may be listed on the back; any separate list must refer to this document expressly.)

IT IS FURTHER RESOLVED, That any and all action as authorized herein previously taken by the above-listed officers is hereby ratified.

I HEREBY CERTIFY that the foregoing is a true copy of a resolution adopted at a _____
meeting of the _____ (Regular or special), the governing body of _____

_____ (Complete name of corporation or unincorporated association),
held on the _____ day of _____, 19____, at _____.
I further certify that due notice of said meeting was given, that a quorum was present, and that the resolution was duly adopted and is in full force.

Dated this _____ day of _____, 19____.

[SEAL OF ORGANIZATION.
IF NONE, HAVE THE FORM
BELOW COMPLETED.]

(Signature and title of officer)

(Additional signature and title, if necessary. See Instruction 3)

(THE FORM BELOW MUST BE COMPLETED IF THE ORGANIZATION HAS NO SEAL)

Subscribed and sworn to before me, the day, month and year last above written, at _____,
County of _____, State of _____, by the above-named persons as described,
whose identities are well known or proved to me.

[SEAL]

(Signature and designation of notary public or similar officer)

My commission expires _____

EXHIBIT 18

Form PD 1014
TREASURY DEPARTMENT
Bureau of the Public Debt
(Rev. May 1955)

CERTIFICATE OF INCUMBENCY OF OFFICERS

(Corporation or unincorporated association)

IMPORTANT - Be sure to follow the instructions on the back in preparing a certificate on this form. Any person who makes a claim or statement on this form which he knows to be false, fictitious or fraudulent may be fined \$10,000 or imprisoned for 5 years or both.

The undersigned hereby certify that they are _____, Title _____,
and _____, Title _____, respectively, of
_____, Exact name of organization _____, ☐ a corporation ☐ an unincorporated association
whose principal office is at _____, Complete address _____,
and that the persons named below were on _____ Date _____ and are presently the duly qualified and acting incumbents
of the offices therein as indicated:

NAME	OFFICE
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

Dated this _____ day of _____, 19____.

[SEAL OF ORGANIZATION.
IF NONE, HAVE THE FORM
BELOW COMPLETED.]

Signature and title of officer

Additional signature and title, if necessary. See Instruction 2

(THE FORM BELOW MUST BE COMPLETED IF THE ORGANIZATION HAS NO SEAL)

Subscribed and sworn to before me the day, month and year last above written at _____,
County of _____, State of _____, by the above-named persons as
described whose identities are well known or proved to me.

[SEAL]

Signature of notary public or similar officer

My commission expires _____

Official designation

XV. MUTUAL MORTGAGE INSURANCE

The Federal Housing Administration programs of mortgage insurance, specifically enacted by Congress, are self-sustaining as provided in the National Housing Act. The FHA is required to pay all of its expenses and losses out of its income. In these programs, one provides a system of mortgage insurance whereby homeowners having mortgages insured under Title II, Section 203 of the National Housing Act, under favorable circumstances, receive a refund of that part of the mortgage premium paid by them which is in excess of the portion of such premium needed for the payment of operating expenses and losses.

The basic permanent mortgage insurance program of the Federal Housing Administration is embodied in Title II of the National Housing Act which provided for mutual mortgage insurance of mortgages on individual homes under Section 203. Other mortgage insurance programs, enacted by Congress subsequent to 1934, but prior to World War II, being of a special purpose and "extra risk" nature, have been funded on a nonmutual basis. It is an important point to keep in mind that homeowners insured under the nonmutual mortgage insurance are not aware that the mutuality provisions do not apply to their mortgages. At the time of mortgage appointment it should be made known that the mutuality provisions apply only to mortgages insured under Section 203. The National Housing Act under which a mortgage is insured appears in the endorsement on the back of the mortgage

document. Testimony at the hearings in Congress has shown that one of the chief concerns of the original National Housing Act

was to provide a system of mortgage insurance which would be self-sustaining in a field in which little if any criteria were available as to the cost of operations and the losses which could be anticipated. This led to the drafting of authority to establish premium charges under conditions which would eliminate any hesitancy to fix them at levels considered adequate under the circumstances by providing for the return of any unused portion in the form of participating shares. This resulted in the mutuality provision under Section 203 which is essentially a device to return to the mortgagors that part of the premium charges found to be in excess of the need.

1505. In addition to initial fees paid in connection with insuring a mortgage, under all of the FHA's mortgage insurance programs the borrower is required to deposit monthly with the lender an amount of money which will put the lender in funds for the purpose of paying to the FHA the annual mortgage insurance premium when due. This premium is calculated on the basis of one-half of 1 percent of the amount of the principal obligation of the mortgage outstanding at any time, without taking into account delinquent payments or prepayments. Out of these fees and premiums the FHA pays all of its operating expenses and losses. The FHA has also repaid all the funds originally advanced to it by the Treasury Department to commence operations. It has also established reserves for losses in an amount estimated to be sufficient to meet possible losses on outstanding contracts of insurance in force.

1506. In most systems of mutuality the participants are liable for losses sustained as well as profits. In establishing the FHA mutual mortgage insurance program, however, the Congress, in recognition of the fact that there

was no experience on which such a system of mutuality could be founded, provided that no mortgagee or mortgagor should have any vested right in any credit balance in the Participating Reserve Account nor be subject to any liability rising out of the mutuality of the Fund. Section 205 of the Act which governs the mutuality provisions of the Fund has been amended from time to time. The pertinent parts of Section 205, as amended by the Housing Act Amendments of 1954, are quoted as follows:

"(a) The Commissioner shall establish as of July 1, 1954, in the Mutual Mortgage Insurance Fund a General Surplus Account and a Participating Reserve Account * * *.

"(b) The aggregate net income thereafter received or any net loss thereafter sustained by the Mutual Mortgage Insurance Fund in any semiannual period shall be credited or charged to the General Surplus Account and/or the Participating Reserve Account in such manner and amounts as the Commissioner may determine to be in accord with sound actuarial and accounting practice.

"(c) Upon termination of the insurance obligation of the Mutual Mortgage Insurance Fund by payment of any mortgage insured thereunder, the Commissioner is authorized to distribute to the mortgagor a share of the Participating Reserve Account in such manner and amount as the Commissioner shall determine to be equitable and in accordance with sound actuarial and accounting practice: *Provided*, That, in no event, shall any such distributable share exceed the aggregate scheduled annual premiums of the mortgagor to the year of termination of the insurance.

"(d) No mortgagor or mortgagee of any mortgage insured under Section 203 shall have any vested right in a credit balance in any such account or be subject to any liability rising out of the mutuality of the Fund and the determination of the Commissioner as to the amount to be paid by him to any mortgagor shall be final and conclusive."

1507. The Mutual Mortgage Insurance Fund under the above quoted provisions of the Act is divided into two accounts, the General Surplus Account and the Participating Reserve Account. The first of these accounts is credited semiannually with that part of the aggregate net income received which is determined by sound actuarial and accounting practices to be necessary as a reserve for future losses and to protect the general solvency of the fund. The remainder is credited to the Participating Reserve Account. It is out of this latter account that distributions, if any, are made to the legal owners of properties at the time their mortgages are paid in full.

1508. At the time of endorsement of the mortgage for insurance, and for several years thereafter, a deficit exists with respect to such mortgages. The chief reasons for this are that the revenue received from the initial fees and premiums is not sufficient to cover the cost of processing, inspecting and placing the mortgage on the books and the fact that during the first several years the ratio of defaults in mortgage payment is the highest and, consequently, allocations to the General Surplus Account as a reserve for losses during this period must be correspondingly greater. In other words, mortgages must bear their proportionate share of the charges involved before they develop an interest in the Participating Reserve Account which would entitle mortgagors to a share in any distribution of these funds. It is not possible to predict with any degree of accuracy when that will occur as this depends on foreclosures and losses but usually, under favorable economic conditions, it happens within the first 5 to 7 years.

1509. Of importance to mortgagors is a recent ruling by the Internal Revenue Service of the Treasury Department relating to the treatment of participating share payments from the Mutual Mortgage Insurance Fund which is here quoted:

"The distributive share received by an individual mortgagor from the Federal Housing

Administration, under the provisions of section 205 (c) of the National Housing Act, 48 Stat. 1246, 12 U. S. C. 1711, as amended, as a result of his prepayment of the mortgage, is not income to the mortgagor until the aggregate of the amounts of such distributions received by him from the Federal Housing Administration has equaled the total of the premium or premiums paid on the Federal Housing Administration mortgage insurance. If the total distributions received (prior to the amendment of June 30, 1953, 67 Stat. 121, of 12 U. S. C. 1711, prohibiting distributions in excess of premiums) exceed the premiums paid, such excess is required to be included in the mortgagor's gross income for Federal income tax purposes. However, if the mortgagor is a taxpayer who was entitled to deduct the premiums paid as a business expense, the total

amount of the distributions received by the taxpayer is required to be included in gross income for Federal income tax purposes."

1510. The FHA calls special attention to the fact that if a distributive share is due, it is payable only once and that occurs at the time the mortgage is prepaid in full or at its maturity. It is not necessary for a mortgagor to make formal application for his share in the Mutual Mortgage Insurance Fund. When FHA is notified by the mortgagee that a mortgage has been paid in full, and there is a share due, the legal owner of the property at the time of such payment is automatically notified of the amount payable. He is then required to execute and submit a Mortgagor's Confirmation Certificate attesting to his right to receive the share and thereafter payment is made direct to him.

XII. SECONDARY MARKET

1201. The usual method of deriving cash from an FHA-insured mortgage requires its retention in the originating institution's portfolio in order to realize principal repayments over the life of the mortgage. In the case of a 20-year 4½-percent mortgage with a standard amortization schedule, repayments range from 3.16 percent of the original face amount during the first year to 7.43 percent of that amount during the twentieth year. Two other methods of realizing cash are available: The insured mortgage may be used as collateral for advances from other approved mortgagees, the Federal Reserve Banks, or the Federal Home Loan Banks; or the mortgage may be sold to FHA-approved institutional investors.

1202. Regulations of the Home Loan Bank Board provide that any FHA-approved mortgagee, subject to certain qualifications, is eligible to borrow from Federal Home Loan Banks on collateral consisting of insured mortgages. The advance may not exceed 90 percent of the unpaid principal of the mortgage loan given as security and may be for as long a term as 10 years, with monthly or quarterly amortization. Rates of interest on advances to mortgagees which are not members of the Federal Home Loan

Bank System, which must be chartered institutions having succession and subject to governmental inspection, will be between ½ of 1 percent and 1 percent higher than rates charged to members on similar advances.

1203. Only members of the Federal Reserve System are eligible for advances on insured mortgages from Federal Reserve Banks. The term may not exceed 4 months.

1204. A secondary market for sale of insured mortgages exists in private institutions which are FHA-approved mortgagees, State, county, and municipal trust funds, and the Federal National Mortgage Association. These channels of sale are open to all approved mortgagees, except that the Federal National Mortgage Association will not purchase from loan correspondents approved as mortgagees. Detailed information and forms for the tender of mortgages to the Federal National Mortgage Association may be obtained from the agency's representatives located in Philadelphia, Pennsylvania; Atlanta, Georgia; Chicago, Illinois; Dallas, Texas; Los Angeles, California; and Seattle, Washington.

I. FEES AND CHARGES COLLECTIBLE BY MORTGAGEES

1. *Administrative policy with respect to fees and charges which the mortgagee may collect under provisions of the Administrative Rules for all sections of the National Housing Act.*

It has always been the policy of this Administration to restrict the charges which the mortgagee may collect in the belief that unrestricted charges, whether by the mortgagor or other interested parties, will usually increase the cost of mortgage financing directly or indirectly or tend to prevent decreases in cost which otherwise would be possible.

It is the policy of this Administration not to approve or permit the charge or collection by the mortgagee of a fee or commission in excess of the maxi-

mum which it is permitted to charge the mortgagor under the applicable Administrative Rules regardless of whether such excess fee or commission is paid by the builder, sponsor, broker, seller, or other interested parties, and regardless of whether such excess is paid to the originating mortgagee or directly to the proposed purchaser of the mortgage as an inducement to facilitate its sale."

1302. *Provisions of the Administrative Rules with respect to fees and charges.*—The foregoing statement of Administrative policy has been implemented by amendments to the Administrative Rules applicable to the insurance of mortgages on home-ownership type properties.

1303. *Definition of the terms "proposed construction" and "existing construction."*—As used in the provisions of the Administrative Rules and the above certificates relating to charges and fees, the term "proposed construction" means any construction which is contemplated and which has not been begun at the date of the submission of the application for mortgage insurance. The term "proposed con-

struction" does not refer to contemplated repairs, alterations, or additions to existing construction.

The term "existing construction" means any structure that was completed or upon which construction had begun prior to the date of the submission of the application for mortgage insurance. Contemplated repairs, alterations, or additions are to be classified under existing construction.

KIV. MISCELLANEOUS RULINGS AND PROCEDURES

1401. Beginning of construction.—The “beginning of construction,” as used in Section 203 of the National Housing Act and in the administrative rules, means pouring of footings or any work beyond the stage of excavation. The following are not included within the meaning of the term: land preparation, and clearing, grading, filling; excavation for basement, footings, piers, or foundations; erection of temporary forms, installation of piling under proposed subsurface footings, installation of sewer, gas, and water pipes, or electric or other service lines from the street, and existence on the property of accessory buildings such as garages or sheds not occupied as dwelling units or not a part of the main structure.

1402. Occupant.—Our interpretation of this term, as used in the Act, means one who has acquired the property primarily for the use as his home and not primarily for sale or rent and who has evidenced the carrying out of such purpose by appropriate physical acts of possession.

In its most simple sense, the earliest physical act of possession may reasonably be considered to have occurred at the closing of the sale to the purchaser when title has been placed in his name and he has been delivered possession of the property as evidenced both symbolically and practically by delivery of the keys to the property. Subsequent to this occurrence, there are many other acts which could be considered as physical acts of possession, such as placing personal belongings and furniture in the property, occupancy either by the owner, members of his family or the owner's servants, or work performed for maintenance and preservation of the property. It must be realized that a single act of possession, such as custody of keys or maintenance of the property, would not in itself establish an owner as an occupant if, for instance, the owner permits occupancy for other than temporary purposes thereby clearly

negating the presumption of his intent to occupy the property primarily for use as his home.

In those cases where the mortgagee raises a question as to eligibility, the Director shall examine the specific facts in order to determine whether the occupancy requirements as defined herein are met, and if the question of eligibility cannot be resolved, the insuring office Director shall forward the facts in the case to the Washington Headquarters for determination.

1403. General Waiver of Certain Easements, Encroachments, and Violations of Restrictions.—Some mortgagees have established the practice of requesting special title letters from the Commissioner or from the local insuring office with respect to customary easements and minor violations of building or use restrictions which clearly come within the rule of acceptability contained in 222.14 of the Regulations for Mutual Mortgage Insurance as follows:

“If the title and title evidence are such as to be acceptable to prudent lending institutions and leading attorneys generally in the community in which the property is situated, such title and title evidence will be satisfactory to the Commissioner and will be considered by him as good and merchantable.”

In addition to the quoted assurance of title acceptability, the Commissioner has set forth in the Regulations (222.14 (d) (I) (II)) certain specific waivers which, it is felt, should in most cases eliminate requests of mortgagees for special waivers of title objections. Notwithstanding the various assurances contained in the Regulations, the Commissioner is always willing to give special rulings in connection with cases involving particular title questions upon which there is reasonable doubt as to acceptability under the regulatory provisions but mortgagees should be urged to limit their requests for special waivers for special cases only and thus eliminate unnecessary delay and expense to all parties concerned.

It should be observed that the various waivers as to title objections set forth in 222.14 apply only to acceptability of title at the time properties are offered to the Commissioner in exchange for debentures. The Commissioner's waiver of title objections as set forth in the Regulation does not imply that the matters referred to in the Regulation will be disregarded by the insuring office in processing a case or in fixing the amount or terms of the commitment to insure. Accordingly, while mortgagees may rely on the matters set forth in the Regulation as constituting a waiver of title objection, it is entirely possible that any adverse affect on the value of the property because of the matters covered by the title waiver will be reflected in the property valuation and the FHA commitment with respect to mortgage amounts.

1404. Special assessments not noted on mortgagee's application for insurance.--The Regulations covering Mutual Mortgage Insurance (24 CFR 222.13(a)) expressly limit the amount which may be included in debentures by reason of special assessments paid by the mortgagee to those special assessments which are noted on the application for insurance or which became liens after the insurance of the mortgage.

If the title examination made by the mortgagee prior to closing the loan discloses special assessments not noted on the application for insurance, the mortgagee may advise the director of the insuring office the nature and total amount of such assessment, together with information as to the number and amount of annual installments in which it is payable, requesting consent to amend the application by the notation of the assessment thereon and requesting advice as to whether or not such assessment will affect the amount of the commitment previously issued. If such request and information are received prior to the endorsement of the mortgage for

insurance and such assessment would have had no affect upon the amount or terms of the commitment as issued, even if such information had been originally noted on the application prior to processing the case, the director is authorized to give the mortgagee a letter advising that the Commissioner will consider the application for insurance to have been amended by the notation thereon of the assessments specifically set out and that such assessments will not affect the amount or terms of the commitment previously issued.

If the information concerning the special assessments would have affected the amount or terms of the commitment, the letter to the mortgagee should be modified by setting out the reduction in amount or the additional conditions to be incorporated into the commitment.

If the request to amend the application by the notation thereon of the assessments is received after the mortgage has been endorsed for insurance, the mortgagee should be advised that it will be impossible to grant such request. The terms of the regulations under which a mortgage is insured, of course, govern the rights of the mortgagee from the date of such insurance, and the mortgagees will undoubtedly appreciate the impracticability of reopening or amending applications in connection with mortgages previously-insured.

1405. Hazard insurance requirements.--FHA receives numerous inquiries concerning the requirements and policies of this Agency with respect to hazard insurance and specifically the matters of handling of escrow accrual accounts, "home owner's" type policies, "tie-in" practices, life insurance, and casualty damage replacements. The purpose of this paragraph is to clarify FHA procedures on these questions. The statements in this paragraph apply only to Section 203 and other one-to four-family insurance programs; different requirements apply to Section 207 and other multifamily project loans.

(a) Monthly insurance accruals.--Legally speaking, under the FHA contract

mortgage insurance, mortgagees are required, by regulation, to carry hazard insurance. Insofar as the FHA is concerned, this would be possible because mortgagees are required to transfer properties to the FHA undamaged by fire, earthquake, flood, or tornado as a condition precedent to issuance of debentures. As a practical matter, it is difficult to conceive of a case where a mortgagee would not require fire and extended coverage. It has been noted that some mortgagees have discontinued monthly accruals for hazard insurance and have permitted the mortgagor to provide his own insurance with the only requirement being that a policy providing proper coverage must be furnished to the mortgagee. This procedure departs from the long established FHA concept of a single monthly payment which includes all items necessary for maintenance of the mortgage. This principle has been an important part of the FHA program as it is believed that such a plan eliminates the necessity for mortgagors to periodically make large payments for hazard insurance renewals, taxes, special assessments, and other items which should be included by the monthly accrual plan. Mortgagees who have advised mortgagors that it would be unnecessary to create a monthly accrual for hazard insurance will not have the FHA mortgage insurance protection jeopardized on such plans. However, it should be understood that in any case where hazard insurance protection is a requirement of the mortgage, FHA will require a monthly accrual system and mortgagees who have discontinued escrow accruals should take prompt action to reinstate an acceptable monthly accrual plan.

b) Long term policies.--In recent years both mortgagors and mortgagees have indicated a preference for obtaining fire and extended coverage in long term policies. However, some mortgagors have objected to monthly accruals on the basic policy was written for a three year or longer term on the theory that the monthly accruals would make a sizable deposit well in ad-

vance of the premium renewal date without the return of interest to the mortgagor on such deposits. Many mortgagees have requested advice as to handling of escrow accruals under such conditions.

FHA will permit mortgagees to set up the escrow accruals on long term policies on either of the following plans. Assuming that at the time of closing a loan the mortgagor pays for and delivers a three year or longer term fire and extended coverage policy to the mortgagee, the mortgagee may thereafter:

1. Collect monthly accruals in an amount equal to the cost of renewal of the original policy, divided by the number of months to elapse before one month prior to the date when such renewal premium becomes due and payable. By this method the mortgagee would be assured, that one month prior to the expiration of the original term of the policy, an escrow accrual would be available to renew the same policy for a second term.

2. Thirteen months in advance of the expiration date of the policy begin collection of a monthly accrual sufficient to establish an escrow collection for a minimum of one year's renewal premium for conventional fire and extended coverage one month prior to the date the policy must be renewed. By this method, an accrual cushion is created which assures the mortgagee of funds sufficient to renew conventional coverage for a minimum period of one year if the mortgagor does not renew the original policy.

These methods should be used for any policies which are written for longer than one year.

(c) "Home owner's" or "package" policies.--Many inquiries have been received concerning the acceptability of the so-called "home owner's" or "package" policies which provide in addition to insurance on the real property coverage as to household and personal property, personal liability, as well as other items not directly related to the real property or covered by the insured mortgage. FHA does not object to a mortgagor obtaining

such coverage provided that the mortgagee is willing to accept such a policy. Assuming both mortgagor and mortgagee desire such coverage, FHA will not object to the regular hazard insurance escrow being used for collection of premium accruals for renewal of the home owner's type policy. FHA experience has indicated that most of the home owner's policies are written for long terms and in such cases it is suggested that either of the escrow accrual plans discussed in paragraph (b) should be adopted for use with the home owner's type policy.

Mortgagees are cautioned that in computing debentures, FHA will not reimburse mortgagees for the full premium paid by the mortgagee for home owner's policies. Under the FHA mortgage insurance contract, if an insured mortgage becomes delinquent and the mortgagee tenders the property to the FHA for debentures, in computing the amount of debentures FHA may include therein reimbursement to the mortgagee for payments made in purchasing hazard insurance on the mortgage property. Because the home owner's policy provides coverage on items other than real property, if a mortgagee were to purchase such a policy and subsequently request reimbursement for the premiums paid, FHA would not allow that portion of the total insurance premium attributable to protection other than coverage on the dwelling or property covered by the insured mortgage. Accordingly, the maximum reimbursement to mortgagees in debentures would be for an amount not in excess of the cost of standard fire and extended coverage on the dwelling or property covered by the mortgage. This is considered as a remote possibility as it is assumed that under such circumstances mortgagees, if required to renew hazard insurance coverage, would undoubtedly request coverage limited solely to the conventional fire and extended coverage policy.

(d) Casualty damage replacements.--As pointed out in (a), mortgagees are required to tender properties to the Commissioner undamaged by fire, earth-

quake, flood, or tornado as a condition precedent to issuance of debentures. As this is the basic responsibility of the mortgagee, it is not mandatory under the various one- to four-family programs that the mortgagee report casualty damages to the FHA. However, many mortgagees request some assurance indicating that after repair of casualty damage the premises will be acceptable and that no objection would be made if the property is offered to FHA for debentures. To meet these requests, FHA has a procedure which permits mortgagees to obtain a binding statement indicating satisfactory repair of casualty damages. Under this procedure, upon request by the mortgagee, the director of the local insuring office will issue binding statements indicating the repairs are acceptable. In cases where the repairs involve \$500 or less, the director will, upon request, issue the statement without prior notice from the mortgagee, after receiving satisfactory evidence from the mortgagee that the repairs have been completed in an acceptable manner. In cases where the repairs involve an amount in excess of \$500, the director will not issue the statement to the mortgagee unless the mortgagee has notified the local office prior to the beginning of the repairs and thus afforded the local office an opportunity to determine to what degree the structural soundness of the dwelling was affected and the adequacy of the proposed repairs. After making this determination, a letter will be issued authorizing the mortgagee to proceed with the proposed work, or advising the mortgagee that modifications are necessary in the proposal. If compliance inspections are to be required, the letter will stipulate the number and type of inspections that must be requested and made. Upon completion of the repairs in a manner acceptable to FHA, a letter to this effect will be issued to the mortgagee. No fee is charged for such inspections.

(e) "Life insurance" or "mortgage term" policies.--FHA recognizes that carrying life insurance on a mortgagor's life in order to provide retirement the mortgage upon the death of the

gor is beneficial and makes no objection to mortgagors obtaining life insurance covering them for the term of the insured mortgage. However, the carrying of life insurance or mortgage term insurance must be handled as a separate and distinct transaction from the FHA insured mortgage and in all respects the two transactions must be separated.

FHA will not approve any requirement mortgagees which forces a mortgagor to obtain life insurance as a condition of obtaining the insured mortgage. Mortgagors may transmit monthly premium payments for the life insurance together with regular monthly payments under the insured mortgage to the mortgagee, but the mortgagee will be required to separate the premiums relating to the life insurance policy from those which apply to the mortgage payments and to maintain its records in such a manner that the two payments are separately identifiable. FHA will not approve any amendment to the standard A mortgage form which would require mortgagors to make payments on life insurance as an obligation under the insured mortgage nor permit any amendment to the mortgage form which would make a failure to pay life insurance premiums an event of default under the insured mortgage.

(f) Hazard insurance tie-in practices.--The Department of Justice has requested FHA cooperation in advising mortgagees as to the position of the Department with regard to the practice of some lenders of tying-in sales of hazard insurance with mortgage loans.

The Department has indicated that practices as described in their statement may fall within the purview of the Sherman Act as an unreasonable restraint of trade. Mortgagees having questions concerning their own hazard insurance practices or any legal questions relating to the application of the Sherman Act to such practices should consult their own counsel or the Department of Justice for further information.

FHA, of course, does not have jurisdiction to investigate or enforce violations of antitrust statutes, however, any instances of allegedly improper tie-in practices which are brought to our attention will be referred to the Department of Justice, Antitrust Division, for appropriate consideration by that Department.

The position of the Department of Justice regarding the tying of hazard insurance to mortgage loans is as follows:

"On April 26, 1951 a complaint was filed by the United States charging that one of the largest residential mortgage companies in the United States, had entered into agreements with its residential mortgage loan borrowers which illegally required the borrower to agree that all hazard insurance maintained on the property secured by the mortgage would be written, placed and sold by the mortgagee.

According to the Government's complaint the illegal effects of such tie-in agreements were four-fold: (1) the owner of the residential property who obtained a mortgage loan was prevented from placing his hazard insurance with insurance agents and companies of his own choice; (2) insurance agents and brokers who normally would compete with the mortgagee were prevented from competing for the sale of hazard insurance on property mortgaged to the lender; (3) insurance companies, other than those selected by the mortgagee, were foreclosed from free access to a substantial market for hazard insurance; and (4) borrowers were prevented from obtaining hazard insurance at premium rates which might have been lower than those available through the mortgagee.

A consent judgment was entered in this case on June 30, 1954 to bring an end to these restraints. The judgment terminated the agreements which gave the defendant mortgagees an exclusive right to place hazard insurance. It prohibits similar agreements in the future. Further, it requires the mortgagee to inform the loan applicants and existing

mortgagors of their right to select insurance of their own choice. Finally, it establishes various safeguards to assure borrowers a proper choice in the selection of insurance companies. This judgment recognizes that mortgage lenders have a right to insurance from a reputable and reliable insurance company. To protect the legitimate interest of the defendants on this score, the judgment permits them to require that hazard insurance be written by a company acceptable to them, so long as their standards of acceptability are not unreasonable, arbitrary or discriminatory, and are not used to circumvent the primary purpose of the decree. It likewise enables the defendants to place or write hazard insurance on property mortgaged to them if the borrower improperly fails to tender the type policy judged acceptable under the foregoing standards.

In opening to competition that portion of the hazard insurance market represented by the mortgagee's borrowers, this judgment did not debar the mortgagee from itself participating in that market. Although the judgment prevents the mortgagee from controlling the insurance business on property mortgaged to it, the mortgagee can fairly compete for this business.

The decree has been the subject of considerable comment in the mortgage and insurance fields and we believe it has been an important factor in educating lenders to avoid insurance tie-in practices. Nevertheless, the Antitrust Division continues to receive a significant number of complaints against mortgage lenders who persist in coercing insurance business. A large portion of these complaints are directed against FHA approved mortgagees and lenders participating in the Loan Guarantee Program of the Veterans Administration. Insurance tie-in practices on the part of such lenders are particularly objectionable in our view because the lender is employing the resources of the Federal Government in furtherance of a restraint of trade.

The Supreme Court has said that tying agreements 'serve hardly any purpose beyond the suppression of competition,' Standard Oil Company of California v. United States, 337 U.S. 293, 305 (1949). Section 1 of the Sherman Act, applies not only to activities in interstate commerce, but also to local activities which unreasonably restrain a substantial segment of interstate commerce. Because of their inherently anti-competitive nature, insurance tie-in contracts falling within the purview of the Sherman Act are, in the view of the Department of Justice, prima facie unreasonable restraints of trade. That is to say, they are illegal unless they can be shown to be reasonable under the peculiar and particular facts in each individual case. The consent judgment should serve to warn each lender who makes such a 'tie-in' contract, whether written or oral, expressly or impliedly, that he is following a course of extremely dubious legality.

The impression is gained from the complaints we received that certain local lending institutions are of the opinion that the consent decree has no possible application to them because their operations do not extend beyond the boundaries of one state. This is an erroneous impression. The activities of local lending institutions operating within the confines of one state can directly and substantially affect interstate commerce. For example, if a local lending institution engages in tie-in practices, it may well be that it is foreclosing many out-of-state insurance companies from access to a substantial market for hazard insurance. A brief reference to recent Supreme Court cases will illustrate the fact that local activities can be subject to the Sherman Act.

On March 8, 1954 the Supreme Court said in its opinion in United States v. Employing Plasterers' Assn. of Chicago, et al., 347 U.S. 186, 'That wholly local business restraints can produce the effects condemned by the Sherman Act is no longer open to question. See, e.g. U.S. v. Women's Sportswear Manufacturers Assn., 336 U.S. 460, 464.' The Supreme

stated in the latter case: 'Re-
ts, to be effective, do not have
applied all along the line of
nt of interstate commerce. The
of the restraint may be intra-
as the making of a contract or
ation usually is; the application
restraint may be intrastate, as
en is, but neither matters if the
ary effect is to stifle or re-
commerce among the states. If
interstate commerce that feels
ch, it does not matter how local
eration which applies the squeeze.
(lining supplied)

believe that if responsible lenders
are of our views regarding tie-in
ces in the insurance field they
luntarily eliminate those prac-
For this reason, we have sought
e wide publicity to our position.
r, if lenders in the face of the
c judgment persist in unreasonably
ing their borrowers from access to
petitive insurance market, they
rious risks of prosecution, and of
ty for treble damages, under the
Act."

5. Lost original credit instru-
procedure for obtaining endorse-
duplicate.--If the original
instrument bearing the insurance
ment has been lost or destroyed,
tgagee should submit to the local
g office an executed duplicate
original credit instrument, iden-
n all respects to the original,
r with an indemnity bond (on a
pared by the FHA which can be
d from the local field office)
d in quadruplicate. The origi-
emnity bond will be retained by
uring office, as well as one
nd two copies will be returned
mortgagee, one for its files and
delivery to the mortgagor. If
ers are in proper order, the
te credit instrument will be en-
for insurance under the current
d immediately thereafter will be
ne following: "as of....."
e to be supplied will be the origi-
endorsement date.

1407. Termination of insurance con-
tract.--The provisions of the National
Housing Act and the Administrative Reg-
ulations thereunder constitute the con-
tract of insurance, and such contract
provides the manner in which it may be
terminated. There is no provision
therein which would give the mortgagor
or the mortgagee the right to terminate
the insurance contract at will, nor is
a similar right given the Commissioner.
The mortgagor may, of course, exercise
the privilege contained in the mortgage
to prepay in full prior to maturity, but
this would require the payment of the
adjusted premium charge of 1 percent of
the original principal of the prepaid
loan, unless one of the exceptions pro-
vided in the regulations would be appli-
cable under the facts of the particular
case. It is clear that the insurance
contract may not be terminated merely by
payment of the adjusted premium charge
if the loan is not in fact paid in full
prior to maturity. The provisions of
the National Housing Act authorize the
Commissioner to collect the 1 percent
adjusted premium only in the event the
mortgage is prepaid in full.

1408. Effect of Soldiers' and Sailors'
Civil Relief Act, as amended.--The policy
of the Federal Housing Administration is
one of complete cooperation with the
spirit and intent of the Soldiers' and
Sailors' Civil Relief Act, as amended.
To the fullest extent of its authority
the Administration endeavors to protect
a mortgagor in the armed forces. In
addition, without impairing the mort-
gagee's rights under the FHA contract of
insurance, the administrative practices
and procedures have been constantly ad-
justed to permit mortgagees to afford all
possible relief in military service cases
consistent with the provisions of the
National Housing Act and the regulations
pursuant thereto. Rulings and statements
have been issued concerning such matters
as:

(a) Effect of agreement between mort-
gagee and mortgagor in military service
to modify terms of payment.

(b) Definition and rights of "persons in military service."

(c) Stay of enforcement of obligation by court.

(d) Proof of military service and termination thereof.

(e) Procedures for additional amount in debentures for loss of interest due to foreclosure postponement where mortgagor is in military service.

(f) Amortization, acceleration and refinancing after return from military service.

(g) Procedure for mortgagees and servicing agents in reporting defaults for mortgagors in military service.

Mortgagees may obtain detailed information on the foregoing and other matters concerning the operation and effect of the Soldiers' and Sailors' Civil Relief Act, as amended, from the local FHA office.

SCHEDULE OF FEES AND PREMIUMS—HOME MORTGAGE INSURANCE—SERVICES AND CHARGES

- A. EXAMINATION FEE: (See E below for Application Fee for Open-end Advance.) Under the transactions 1 through 4 below an EXAMINATION Fee of \$20 (code 1) for EXISTING CONSTRUCTION or of \$45 (code 7) for PROPOSED CONSTRUCTION is to be remitted in advance and a NEW CASE NUMBER will be assigned.
1. Initial application on any property from initial mortgagee.
 2. Request for reopening at any time after preliminary rejection, when examination fee has been refunded.
 3. Request for reopening more than 2 months after final rejection.
 4. Application (or request) (a) from different mortgagee; (b) involving refinancing of insured mortgage, except that there is no examination fee (1) upon an application to refinance for a veteran (as defined in Section 213 of the Act) his mortgage in default due to his war service, or (2) upon an application submitted under Section 213 upon release of individual property from blanket Section 213 mortgage; (c) involving different location when combined with different mortgagor or erection of substantially different dwelling; or (d) more than 2 months after date of expiration or cancellation of a commitment.
- B. COMMITMENT EXTENSION FEE—\$20 (CODE 6): (See E below for open-end advance commitments.) Remit in advance for extension of any commitment which is active or not more than 2 months after its expiration or cancellation date; except that no fee will be charged at time of conversion from conditional to firm commitment or substitution of mortgagor under firm commitment if term is extended one month from date of approval of change in order to permit closing insurance.
- C. PREMIUM \$5 per \$1,000—(CODE 2): Initial premium amount shown in commitment based upon average outstanding principal during first year, according to amortization plan. Remit with closing papers. Except that there is no initial premium to be remitted under a Section 222 case.
- D. INSURANCE CHARGE—(CODE 3): Remit in advance @ $\frac{1}{2}\%$ per annum, based upon amount of open-end advance, for the period from first of month following date of request for insurance of advance to next anniversary date of regular mortgage premium under mortgage involved.
- E. OPEN-END ADVANCE: AN APPLICATION FEE of \$10 (CODE 1) and a COMMITMENT EXTENSION FEE of \$10—(CODE 6) will be remitted under an APPLICATION and a COMMITMENT EXTENSION pertaining to an open-end advance under an insured mortgage pursuant to Section 225.

FEDERAL HOUSING ADMINISTRATION INSURING OFFICES

NORMAN P. MASON, COMMISSIONER

ZONE I

Connecticut:
Room 301, 125 Trumbull Street, Hartford 3. Tel. Chapel 9-5687.
Federal Housing Administration, 304 Post Office Building, Middle Street, Bridgeport. Tel. 68-2504.

Maine:
Exchange Building, Bangor. Tel. 8287.

Massachusetts:
Custom House, Corner State and India Streets, Boston 9. Tel. Hubbard 2-6200.

New Hampshire:
Post Office Building, Hanover and Chestnut Streets, Manchester. Tel. 5-7691.

New York:
New York City District:
4th Floor, 655 Madison Avenue, New York City 21. Tel. Templeton 8-3600.
205-07 Hillside Avenue, Jamaica 23, New York. Tel. Hollis 4-7766.

Albany District:
Ninth Floor, City and County Savings Bank Building, 100 State Street, Albany 7. Tel. 5-8811.

Buffalo District:
U. S. Courthouse, Niagara Square Street, Buffalo 2. Tel. Washington 4780.
Federal Housing Administration, Terminal Building, 65 Broad Street, Rochester. Tel. Baker 5892.

Rhode Island:
Room 300, Post Office Annex, Providence 3. Tel. Gaspee 1-4818.

Vermont:
90 Main Street, Burlington. Tel. 4-6846.

ZONE II

Delaware:
Room 328 Cont. Am. Life Insur. Building, 11th and King Streets, Wilmington. Tel. 7511-7512, 6-2673.

District of Columbia:
Room 103, McShain Building, 333 Third Street NW, Washington 25. Tel. Ex. 3-4160.

Maryland:
915 Fidelity Building, Baltimore 1. Tel. Saratoga 7-7630.

New Jersey:
91-93 Halsey Street, Newark 2. Tel. Mitchell 2-6014.
Room 218-226, Post Office Building, 4th and Market Streets, Camden 1. Tel. Woodlawn 4-6644.

Pennsylvania:
Western District:
Room 629, Grant Building, 333 Grant Street, Pittsburgh 19. Tel. Grant 1-0800.

Eastern District:
Robinson Building, 15th and Chestnut Streets, Philadelphia 2. Tel. Locust 7-3500.

ZONE II—Continued

Virginia:
900 North Lombardy, Richmond 19. Tel. 3-8451.
Federal Housing Administration, Duke-York Building, Norfolk 10. Tel. 2-6628.

West Virginia:
304 Embleton Building, 922 Quarrier Street, Charleston 1. Tel. 35585.

ZONE III

Alabama:
City Hall, 710 North 20th Street, Birmingham. Tel. 5-33421.
Federal Housing Administration, 58 St. Joseph Street, Mobile. Tel. 2-3641.

Florida:
Northern District:
St. Johns Apartment Building, 610 Julia Street, Jacksonville 2. Tel. Elgin 4-7111.
Professional Arts Building, 420 West Lafayette Street, Tampa. Tel. 8-4838.

Southern District:
269 Giralda Avenue, Coral Gables, Miami. Tel. 40856.

Georgia:
101 Marietta Street Building, Atlanta 3. Tel. Walnut 8811.

Kentucky:
Madrid Building, Third and Guthrie Streets, Louisville. Tel. Jackson 1361.

Mississippi:
203A Lamar Life Building, 317 East Capital Street, Jackson 5. Tel. 2-5528.

North Carolina:
11th Floor, Guilford Building, Greensboro. Tel. 2-6114.

Puerto Rico:
Banco Popular Building, P.O. Box 3592, San Juan 17. Tel. 2-5976.

South Carolina:
Federal Land Bank Building, Columbia 1. Tel. 2-1907.

Tennessee:
210 Federal Building, Memphis 1. Tel. 5-0671. Federal Housing Administration, Room 307, U. S. Post Office Building, P. O. Box 1468, Knoxville. Tel. 5-2163.
Federal Housing Administration, 6th Floor, New U. S. Court House, Nashville 3. Tel. 4-29651.

ZONE IV

Illinois:
Northern District:
10-166 Merchandise Mart Building, 222 North Bank Drive, Chicago 54. Tel. Whitehall 4-7500.

Southern District:
Adams Building, 624-630 East Adams Street, Springfield. Tel. 2-9606.